ECONOMIC DEVELOPMENT AND CULTURAL CHANGE

VOLUME V · NUMBER 3 · APRIL 1957

RESEARCH CENTER IN ECONOMIC DEVELOPMENT AND CULTURAL CHANGE
THE UNIVERSITY OF CHICAGO

ECONOMIC DEVELOPMENT AND CULTURAL CHANGE

A journal designed for exploratory discussion of the problems of economic development and cultural change. This journal is published by the Research Center in Economic Development and Cultural Change at the University of Chicago, 1126 East 59th Street, every October, January, April, and July. Preliminary versions of the research findings and research hypotheses are welcomed in the interest of provoking constructive and fruitful discussion.

Bert F. Hoselitz, Editor

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Volume V, No. 3 April 1957

THE PROCESS OF ECONOMIC DEVELOPMENT*

1. The Problem

A basic concern of the theory of economic development is to explain the entry of continuing technological advance into "traditional" societies. Throughout all of human history until the last few centuries, in every society technological progress has been so slow and so intermittent that the trend is most appropriately described as constancy, and advances as discontinuities. But within the last two hundred years, in a number of societies technological progress has become so rapid that output per worker in the society as a whole increases considerably each decade. I define this rate of increase as "continuing technological progress."

By this imprecise but sufficient definition, such instances of accelerated innovation as that in ancient Rome and that in Florence and Venice during the Italian Renaissance were not "continuous technological progress." The line drawn is not merely one of convenience. Where technological progress has become sufficiently rapid and sufficiently widespread to increase productivity markedly per decade for as much as three decades, the advance has continued subsequently,[1] whereas a number of spurts too brief or insufficiently pervasive in the economy to meet this test have proved to be temporary. The rate and breadth of advance is not necessarily itself the cause of continuing progress, but it is evidence that the causal factors underlying it have taken hold so deeply that they have changed the nature of socio-economic processes.

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* This paper is, in a sense, the first product of a research project which I shall be directing during the coming three years, with the aid of a grant to the Center for International Studies by the Rockefeller Foundation.

The paper presents a first statement of tentative hypotheses. I am acutely aware that many of the hypotheses need elaboration and enrichment that may lead to qualification and restatement. Constructive or destructive criticisms will be gratefully received.

I am indebted to James Abegglen, Francis Bator, Karl Deutsch, Richard Eckaus, David Gleicher, Suzanne Keller, Howard Perlmutter, Ithiel Pool, Jean Pool and Lucien Pye for helpful criticisms of an earlier draft. I am sure that none of the critics fully endorses my treatment of the problem.

1. In every case where the record is clear. There are one or two uncertain cases.

The type of traditional society taken as the starting point of analysis in this essay is one based on settled peasant agriculture. No analysis is made of prior development; the accumulation of knowledge, techniques, and capital and the development of culture and social structure up to the time when peasant agricultural society exists is taken for granted.

What is the natural history of the transition of a society from traditional peasant agriculture, with its static technology, to a state of continuing technology, to a state of continuing technological advance?[2]

The answer to the question lies partly within every one of the behavioral sciences. But there is as yet no universal social scientist. The problem must be attacked initially by someone whose competence is less. In this essay, mustering up such expertise as I can from the several behavioral sciences, I therefore address myself to the entire question, in the hope that the initial effort will stimulate continuing interdisciplinary analysis.

If continuing technological progress is to occur, various activities must take place: (1) Continuing advance in pure science. (2) Continuing conception and translation into operation of new production techniques. (3) Various types of skilled labor. (4) Innovational business entrepreneurship. (5) Innovational political, governmental, and social administration of various types. This list suggests the range of performance that is necessary. There are similarities among

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2. Few non-economists since Weber and Tawney have displayed interest in the question. Several economists have ranged outside the economic field. Professor J. A. Schumpeter has discussed entrepreneurship as a key factor in development, in his Theory of Economic Development and elsewhere. Professor B. A. Keirstead, in his Theory of Economic Change, recognizes the differing effects of differing "institutional frameworks." The range of both men, however, is too limited.

Professor W. W. Rostow has addressed himself brilliantly to the more general question. See his The Process of Economic Development (New York: 1954), and "The Take-Off into Self-Sustained Growth," Economic Journal, March, 1956, pp. 25-48. But he has concerned himself primarily with the period of rapid change which he terms "the take-off," which he defines as follows: "The purpose of this article is to explore the following hypothesis: that the process of economic growth can usefully be regarded as discontinuous, discontinuity centering on a relatively brief time interval of two or three decades when the economy and the society of which it is a part transform themselves in such ways that economic growth is, subsequently, more or less automatic. This decisive transformation is here called the take-off." ("The Take-Off into Self-Sustained Growth," op. cit., p. 25.) He assumes as given the social economic changes underlying the take-off. (He recognizes fully their importance. See op. cit., pp. 25-28.) Usher has attacked the problem in its entire breadth and depth, in the revised edition of his History of Mechanical Inventions (1954). But he does not use the full battery of tools of analysis now available. For example, he rejects the developments of psychoanalytic theory, regarding it as "less consistent with the empirical point of view that the position taken by the gestalt psychologists." Ibid., p. vii.

activities. It is a basic thesis of this essay that the number of activities that are distinct in the sense that the emergence of each requires separate explanation is small, so that the major forces explaining the transition to continuing technological progress in any human society may be comprehended in bold outline in a fairly simple analytical model.

2. Elements of Change

A traditional peasant society is a society of agricultural villages, consisting of a virtually unchanging group of families. Peasant agriculture is the basic occupation of all or almost all of the families. Methods of production are primitive and unchanging. Productivity is low. Since writing is little needed in village life, literacy is probably low. The family is the unit of organization for purposes of production. This identity between family and production unit which originates in peasant agriculture, is apt to be maintained as trade or other forms of economic activity gradually enter the economy. There too family members form the business enterprise.

The family may be the nuclear family of the West, consisting of husband, wife, and children, but it is more apt to be the extended family, consisting of several generations, and to be patriarchal, the oldest male making decisions for the group. For as family members marry, they continue to live close to each other, and relations must be regulated. Further, to cope with the mysterious forces in the midst of which life is carried on, the longest experience is the wisest guide.

Business relationships and all other interpersonal relationships in the village are among individuals and families who must live in intimate lifelong contact. Hence not only within the family but throughout the community, the harsh relations of contract and fixed legal rules are impossible. Enforcement of a contractual relationship that in the event worked hardship on one of the parties might create bitterness that could corrode village relationships. All interpersonal relations are therefore subject to mutual accomodation and adjustment according to the consensus of the village elders.

Relationships with other villages may be limited to a trickle of trade. If so, it may be that no code of national interpersonal ethics has developed parallel to that which binds members of the village together. To individual members of the village strangers not guests of the village may be fair game for banditry or personal violence; and even where national authority has developed and social standards forbid violence, the code of honesty and mutual responsibility of village life probably does not apply to strangers, who are fair game for craft, guile, and deception. Because no national code of individual rights has developed, the limits to capricious or arbitrary seizure of property or imprisonment of individuals by the government or the society's leaders are not clear, if they exist at all.

Some structure of classes exists. Vertical mobility may conceptually be considerable at the one extreme, as in Burma or China, or it may range through the very limited mobility in pre-Meiji Japan to the rigid caste system of India or the rigid feudalism of medieval Europe. Whichever situation prevails, individuals who constitute the vast majority view themselves as performing a given activity and function in life and do not conceive of their status and the circumstances impinging on them as subject to their influence. Various cultural inheritances from earlier periods, explicable only in terms of the history of each society, may govern many aspects of life.

This description does not apply to the whole of any "underdeveloped" society today. Every society has felt the impact of contact with the West. Part of the society has become urbanized, and there is some measure of interaction and interdependence with other societies. But the relationships sketched here in broad outline are elements of the present society of the great majority of the people of every "underdeveloped" country today, and we will not understand the past or future process of transition unless our analysis begins with these social relations.

What changes must occur in such a society if it is to enter upon continuing technological progress? This section identifies the types of change which are associated with this transition. These elements of change are discussed here under six heads: technical knowledge, interpersonal relations, social status, cultural lags, economic factors, and motivations. The categories as stated are not mutually exclusive, but the headings are convenient, and the scope of each will become clear in the discussion. The elements are stated in their most general form, so that they are applicable to a centrally controlled and authoritarian society such as the Soviet Union as well as to a mixed or private enterprise economy. No specified degree of any given combination of these changes is a prerequisite to the economic and technological transition. Section 3 attempts to formulate some tentative hypotheses about the necessary interaction among them.

Technical knowledge

The society must acquire new technical knowledge, ranging from literacy to elements of modern science.

Technological advance and advance in scientific ideas are mutually interdependent. The rate of scientific advance depends also on the previous accumulation of scienfific knowledge. For every invention or scientific discovery is a combination of previously existing ideas. The larger and the more basic the stock of existing scientific ideas, the larger is the number of possible new advances; and the possibility increases vastly more rapidly than the increase in the accumulated stock of knowledge.[3] Technological advance frequent enough to constitute a continuing flow becomes more and more feasible as the increase in scientific knowledge accelerates.

The exuberant scientific advances of the sixteenth and seventeenth centuries reached a climax in the great Galileo-Newton theoretical synthesis concerning the nature of the physical world.[4] This synthesis and the concomitant discoveries in mathematical and physical method provided an expanding base for continuing scientific and technological progress. Before the seventeenth century, continuing technological advance was highly improbable in any society. But because the existing stock of scientific ideas is now available to every society in the world, lack of scientific basis is no longer a bottleneck preventing development anywhere. Ideas existing in one culture are not necessarily available to another culture; but the difficulties involved lie in the social structure and the motivation of the tech-

3. With two items, only one combination is possible; with three, four; with four, eleven; with five, twenty-six.

4. See Alfred North Whitehead, Essays in Science and Philosophy, New York, 1948, Chapter on "The First Physical Synthesis" (pp. 166-176).

nically non-progressive societies, not in the limited nature of human technical knowledge.

Interpersonal relationships

In Levy's terms,[5] the society must move in economic relationships from "particularism" toward "universalism," and from "functional diffuseness" toward "functional specificity." By particularism or ascription is meant the selection of one's associates on the basis of one's personal relations to them (e.g. family membership); and by universalism, selection on the basis of objectively evaluated capability to perform the function at hand. By functional diffuseness is meant the undefined nature of rights and duties in interpersonal relationships. In local relationships, the term comprehends both the indefinite liability of each individual to meet claims of members of his family and the indefinite obligation to yield individual claims if they conflict with the welfare of the community. From one viewpoint, it signifies an absence of individual rights. The change from custom and personal relationships to contract and the rule of law is a change from functional diffuseness toward functional specificity.

The new ethics must extend to national and international relations. The individual must move toward respect for the person and property of everyone in the society and in the international community. This implies an end to banditry and personal violence, the end of capricious seizure of persons and property by group or national leaders, and acceptance of contractual commitments by individuals, national leaders, and the government.

The need for the changes indicated is obvious. Insofar as individuals are motivated to select their associates in economic functions on the basis of their capabilities rather than according to the accident of personal relationship, the level of ability applied to each task in the economy will be higher, and, other things being equal, progress will be faster. Diffuseness of rights and obligations, at least within the family, does not necessarily lessen economic incentive; one may be as eager to improve the economic status of one's family group as one's own. Diffuseness of rights and obligations with the firm similarly may be favorable to economic development. However, the indefiniteness of property rights and of business obligations outside the family hampers the accumulation of capital from outside the family and creates uncertainties of costs and income which hamper the operation of almost any economic venture that is producing for the market.

The differences between traditional and "modern" societies with respect to both functional diffuseness-specificity and particularism-universalism are ones of

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5. Marion J. Levy, The Structure of Society (Princeton, 1952). I believe that the basic set of categories is originally Parsons'. See Talcott Parsons and Edward A Shils, eds., Toward a General Theory of Action, Cambridge, Mass., 1951, pp. 80-91; and Parsons, Social System, Glencoe, Ill., 1951, pp. 58-67
I am following Levy's terminology. Parsons uses the terms diffuseness and specificity without the adjective functional, and includes part of the content here included under particularism and universalism under the terms ascription and achievement respectively.

degree. Relations in traditional societies are not wholly diffuse. And some degree of particularism is present, even in business relations, in every society. No given development of universalism, functional specificity, and law and order is an absolute prerequisite for economic development. If these have developed only in small degree, other forces may nevertheless bring about the transition, and if they do, the requirements of the new economic relationships will alter these social relationships subsequently.

In the setting in which they are typically found particularism and functional diffuseness may further, not impede, business relationships. The arbitrary imposition of contract in a traditional society may not aid economic development; rather, by preventing ethical adjustments to the customary process of mutual accomodation, it may merely disrupt all economic relations. Or, as another example, where one can neither trust a stranger or an acquaintance as a business associate, nor persuade him to lend one money, then the extended family may be a necessary source of capital and a necessary bond between business associates. Its abolition would not modernize the society; in the circumstances it would merely paralyze large-scale business relationships.

Further, even the assumption that movement away from particularism and functional diffuseness in all important economic relationships will occur at some time in the course of economic development may be unwarranted. Japan's economic progress is among the most rapid in the world's history. Yet particularistic and functionally diffuse relationships persist within her business firms, and in her culture they seem to have aided, not hindered, her economic onrush.

Social status

The society must move toward a class structure conducive to technological change. Any class structure will present some barriers to innovations that may alter relative social position, and this is certainly true of all important economic innovations. Feudal lords, guilds, a landed gentry, absentee landlords, or a moneylending class may be injured by technological change and the changes in relative power accompanying it. The greater the power of such groups to block adverse changes, the greater the deterrence to the commencement of technological progress.

Moreover, if the class structure prevents or curtails communication of certain sorts, it will obviously block economic change. More generally, the greater the constriction of communication, presumably the greater the barrier to economic and technical change.

Perhaps the most interesting generalization that can be made concerning the relationship of class structure to economic change relates to social mobility in the society. The nature and degree of social mobility may greatly affect the likelihood and pace of economic change by affecting the incentive to make it.

It is often mistakenly stated that the incentive to economic change is the greater the greater the degree of social mobility. But this statement is incorrect or at least seriously incomplete.

The true relationship is somewhat as follows: the social structure is most conducive to economic innovation if:

(1) The possibility of social rise via traditional types of activity is at a minimum. In ways that are discussed in Section 3, below, ease of ascent to positions of esteem and power via traditional activities lessens the incentive to seek new fields of achievement.

(2) The possibility of gaining entry into the traditional channels of social ascent by initial economic prowess (thereafter rising via traditional types of activity) is at a minimum.

(3) Rise in social power and esteem through economic prowess is possible.

The history of China and Japan illustrates the point. In China, high social prestige was associated with status as landed gentry. Trading was in low esteem, but members of a family that was under economic pressure sometimes left the land and turned to the less respectable occupation of trading in order to improve the family's fortune. However, movement from trade upward to landed gentry status was possible. Hence persons who made money in trade moved back to the land. This mobility deterred economic development by channeling energies back toward "landedness." In Japan, on the other hand, where a strictly feudal class structure existed and mobility between classes was not possible, the merchant class could not escape from its role. Purchase of land was illegal, or at best not protected by law, and a trading family that bought land had no recourse against its seizure by a feudal lord. Hence no road to security except economic power was open to trading families. They continued to devote their energies to trade, and, when opportunity occurred, to economic innovation. This devotion of energies was a significant force toward economic development.[6]

Class structure probably affects economic change in a number of other and perhaps more important ways. The theory of the relationships is yet to be developed.

Cultural lags

The society must dissolve inappropriate cultural inheritances of various kinds.

A trait firmly fixed in the culture by the intensity of the emotional stress out of which it first arose may persist long after it no longer serves an important function, and may be an important barrier to economic innovation. A conspicuous example of such a barrier is the pervasive demands made by loyalty to family in China. Less important ones are the taboo on killing animals in Hindu China, and certain elements of the caste system.

India?

Some writers would state that religious beliefs of certain types are among such cultural traits. While this is true of specific religious practices, for example, those cited in the preceding paragraph, the statement is not helpful as applied to religious systems as a whole. The religious system of a society is a complex projection from the needs, fears, and social relationships of the society. To state that

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6. See Marion J. Levy, "Contrasting Factors in the Modernization of China and Japan," in Kuznets, Moore, and Spengler, eds., Economic Growth: Brazil, India, Japan, Durham, N.C., 1956.

a religious system must change does not illuminate the elements in the problem.[7]

Economic institutions

There are several economic institutions which economists sometimes list as prerequisites for economic development. One set of these is the institutions necessary to finance "social overhead capital" projects. Another set is those conducive to an adequate rate of saving. Both statements need careful qualification.

Many types of social overhead cppital--capital which serves many industries and the economy generally--are economic only in large units. Examples are transportation and power facilities. Hence their financing requires institutions either to accumulate large aggregates of capital or to encourage the flow of capital from abroad.

Social overhead capital is obviously important in the transition. It provides an essential basis for various further developments. A national capital market in existence when the need for social overhead capital arose would be a factor favorable to economic development; but it is difficult to conceive of this situation, since typically before the need for social overhead capital exists a national capital market would serve no function and could hardly have come into existence.[8] In

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7. Some writers, I suspect, would state that one of the culture traits that must change is traditionalism, which must change to rationalism. This statement, I think, involves verbal confusion. The terms traditionalism and rationalism, like the term continuing technological progress, describe complex patterns of behavior, each of which is a resultant of a number of elements. Traditionalism is the philosophy or practice of following tradition in some field of behavior; it involves unchanging behavior in the field referred to. Rationalism is the philosophy or practice of guiding behavior by objective criteria of the suitability of the behavior to the desired end; it may involve changing or unchanging behavior. The transition from static technology to continuously changing technology is sometimes said to be the transition from traditionalism to rationalism in production. The accuracy of this statement is doubtful. Unchanging technology may be entirely rational in a peasant agricultural society, and the transition may be from a situation in which unchanging technology is appropriate to one in which continuous technological change is appropriate. (This statement, if generalized, has implications concerning the entire concept of traditionalism. In its social environment, traditionalism may be rational. The concept of traditionalism may be an ethnocentric concept held by individuals who apply the criteria of their culture to a different culture.) However that may be, to state that traditionalism must change to rationalism is of the same order of generality as to state that static technology must change to continuous technological progress. It defines a problem, rather than stating a causal element in the problem.

8. Joint stock trading companies were formed in Britain by public subscription long before the Industrial Revolution. The device, however, was not thought applicable except for these rather speculative ventures, and was used hardly at all to finance canals or toll roads until these had become fairly common.

some circumstances the provision of capital from outside the economy for large social overhead projects will permit technological change to proceed while the institutions of a capital market are gradually developing and other necessary changes are occurring, whereas otherwise it would be retarded.

But many types of technological progress in traditional societies are possible without large units of physical capital, for example, improvements in methods of agriculture and cottage industries, mentioned above. In fact, such changes in England preceded most of the social overhead capital formation, and it is arguable that the latter was as much the effect as the cause of the transition. It is probably true that in many instances where lack of social overhead capital is advanced as the reason for lack of development in traditional societies today, in fact the social structure and motivations necessary for development are little developed in any case and development would proceed only haltingly even if the social overhead capital projects were constructed in generous quantity.

If motivations and other conditions conducive to development exist, and other aspects of technological innovation have proceeded to the point where lack of social overhead capital is a serious deterrent, means of financing it will probably be devised, by the government if not privately, The concept of social overhead capital as a key prerequisite, without which development cannot proceed, and with which it would race ahead, is an unrealistic one.

Economists sometimes list as a basic deterrent to technological progress lack of a sufficient flow of savings to finance the necessary capital formation. This idea seems to me to constitute in unusual degree a confusion between cause and vehicle.

It is true that capital formation has been and may be expected to be important in technological progress. It is also true that the rate of saving is low in traditional societies. But the questionable link is the assumption that the rate of saving is low because of the need in some absolute sense to consume virtually all of output, and that the inability to save is the deterrent to capital formation.[9]

The main basis for belief that peasant societies are at a physiological minimum level of consumption and hence cannot save much is an ethnocentric one. Because we, the members of a Western society, could not live at the level of income of peasant societies, much less save, we assume that the members of peasant societies cannot save.[10] By the same reasoning, however, they could not live. But they do. A

9. The absolute flow of saving will of course be low, because income is low, but a flow (net of capital consumption) equal to say 10 per cent of income will permit technological progress just as truly as will a flow equal to the same percentage of income in a high income economy.

10. In support of this thesis, it is stated that the rate of saving in traditional societies increases only as income rises. The facts are uncertain. Available data are too poor to give precise information. But in any case if this relation sometimes or typically holds, it provides no indication which change is the cause of the other, or whether common forces cause both. It is plausible that motivations that lead to increased saving and capital formation also lead, at the same time, to technological advance or fuller utilization of productive resources or both, and hence to higher income. As another alternative, there may merely be a Keynesian relation between investment and income. This taken alone seems the least likely explanation, but this relationship may be a contributing factor.

considerable amount of evidence suggests that with favorable motivations they could also increase their saving and capital formation. No people, even at the lowest level of living recorded in peasant agricultural society, devotes all of its income to providing for the physiological necessities of life. An appreciable share is devoted to festivals, construction of temples, and accumulation of gold, gems, or other symbols of position. Further, historical accounts suggest that the economies of traditional societies were typically slack rather than "taut." Labor was not used to the maximum. Thus inability to spare productive resources for capital formation does not seem to have been the cause of low capital formation. The evidence is persuasive that the problem is one of the psychological and sociological conditions, rather than one of the physiological minima.

It is also true that Westerners have until recently consistently underestimated the rate of "productive investment" in traditional societies, because much of it has not passed through the money market. A series of national income studies of "underdeveloped" economies has shown capital formation higher than had been estimated before detailed examination of the economies had been made. It follows both that the rate of saving has been higher than often assumed, and that the increase in investment necessary for technological progress is less than has often been assumed.

Motivations

If the transition is to occur, the operation of motivations in traditional societies must change. While it is certainly true that the typical member of virtually every society prefers more goods to less, other things being equal, this motivation conflicts and competes with other motivations. The relationship to technological progress of change in motivations themselves and of environmental acceptance and recognition is discussed in Section 3, below.

It is plausible to believe that certain complex motives, of which the persons who possess them are often unconscious, are closely related to the problem of technological progress.

To understand how such motives may be acquired, consider achievement motivation, or the need to achieve--an attitude of a person by which he gains pleasure and satisfaction from attacking problems that involve unknowns, and hence a risk of failure, but one of a type that can be controlled by the exercise of his abilities. In this performance an achievement-motivated individual strives to meet an internalized or "built-in" standard of excellence. It should be noted that both a need to succeed and a need for independent or autonomous effort are involved in achievement motivation.[11]

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11. Achievement motivation has been studied by David C. McClelland and his associates. See David C. McClelland, John W. Atkinson, Russell A. Clark, and Edgar L. Lowell, The Achievement Motive, New York, 1953. They treat it as a single or unitary motive, but its dual composition is implicit in their discussion. Though Murray, in his original listing of needs, defines n Achievement and n Autonomy separately, an element of need for autonomy is clearly present in his n Achievement. See H. A. Murray, Explorations in Personality, New York, 1938, pp. 156, 164, and passim.

Social psychologists are now well aware of the processes by which this and other motives may develop. Mother-child relationships are of crucial importance. For example, a baby finds that his mother does things which satisfy his viscerogenic needs--his hunger, desire for a comfortable temperature, desire for a dry skin, and so forth. Because his mother is the source of all that is good, he may come to feel satisfaction directly in her presence, and anxiety--tension--in her absence. By a further association, he may feel satisfaction and security in her approval and anxiety in her disapproval. As he grows, he will find repeated occasion to explore an unknown environment. If when he does so--when he toddles, plays boisterously, wanders down the block, tries to use his own knife, tries to dress himself, or makes his own truce (or warfare) with his playmates--he senses in his mother a repeated attitude of fear at venturesome action, or disapproval at his initial ineptness or at the inconvenience he causes her, he may come to feel tension in any independent action, and to feel security in dependence. If, on the contrary, she lets him face tasks alone at as early a date as he can accomplish them, rejects him if he turns to her for help, and shows pride and love in his successful self-reliance, he may come to feel the same security and emotional satisfaction in meeting new problems "on his own" that he felt as a baby when his hunger was satisfied or his skin soothed.

The individual is similarly influenced by his relations with his father, his brothers and sisters, his playmates, and other early associates. He is influenced by his reading, the radio, television, and the movies, and, indeed, by all of his associations throughout his life. Nevertheless, the contacts with the persons on whom the baby is dependent are by far the most important, and contacts in early life are crucially important. By the age of say eight years there will usually be built into an individual a degree of motivation toward achievement which will set both a floor and a ceiling to his initiative. Except under very unusual circumstances neither will change much throughout life.

Experiencing and mastering risk--the risk of failure to meet one's own standard of excellence when venturing into the unknown--is apparently an essential element in the satisfaction derived from achievement. This risk should be distinguished sharply from chance or uncertainty. The risk that motivates to achievement is risk that can be mastered by the exercise of one's capabilities. Challenge of this sort is encountered in performing any non-routine function, and is encountered in a high degree in creative scientific endeavor or innovational political, governmental, or social administration, as well as in innovational business entrepreneurship. Many economists have defined the function of business entrepreneurship as risk-taking, meaning the taking of economic risks. But the basic risk is that of failing to meet one's standard of excellence, and business entrepreneurship shares this risk with many other functions.

The studies by McClelland and his associates may so far have yielded only a gross and imperfect understanding of achievement motivation--as they would perhaps be the first to assert. They apparently believe that "achievement motivation" is a single motive, like hunger, not the complex result of a group of motives, and that a person acquires, not a motive to achieve in a given area, e.g. art of warfare, but a generalized motive to achieve, which is channeled into one or another field by the values with which the person comes into contact after acquisition of the motive.[12] Both judgments are questionable. "Achievement motivation" may be

12. See loc. cit., passim. The facts discussed by McClelland himself in a 1955 paper strongly suggest the opposite to me. See D. C. McClelland, "The Calculated Risk: An Aspect of Scientific Performance," (mimeo.) a paper delivered at a conference on scientific creativity sponsored by the National Science Foundation at Brighton, Utah, August 27-30, 1955.

complex, a bundle of elements.[13] Further, at the time that a child acquires his motivations, the achievement motive he acquires may be, not a general one, but motivation to achieve in a given type of performance.

Related to need for achievement is need for autonomy or freedom from control or restriction. Contrasted to both is need for dependence. Presumably a person whose early nurture has created in him a high degree of need for dependence will throughout his life be bound by unconscious bonds from thinking effectively about questions to which there is no routine answer. For if he explores, he may venture ideas or behavior which he fears would be unacceptable to the individual or group with which he associates himself, whose values are emotional yardsticks that he carries with him. More important, by independent thought he would be rivaling the person (or persons) to whom he must feel dependence for comfort, even if the thought were acceptable; and such rivalry is forbidden by his need for dependence.

Such influences are important in determining a person's choice of occupation. An individual feels satisfaction in a given activity or occupation, not for the logical "reason" that he may advance, but primarily because the activity or occupation recreates in him feelings of security and pleasure that he felt as an infant or a child. For example, early experiences may cause some achievement-motivated children to find pleasure in rivalry with or manipulation of other persons. Others, while achievement-motivated, may have developed unfavorable emotional reactions to such interpersonal relations, and may seek to achieve in activity which obviates the necessity for them. McClelland has suggested[14] that as between business and science, such a reaction determines the choice of achievement-motivated persons. Those who enjoy interpersonal relations choose business; those who do not, choose science. Of course, the terms "business" and "science" are used far too broadly in this hypothesis; but it would probably be possible to define two sets of occupations, choice between which is determined largely by precisely the influence indicated.

The broader question arises, what influences direct individuals into any given occupation, out of the total number that are open to them (which may of course be small)? Specifically, what influences direct them into economic, technical, or scientific innovation, rather than into some other activity? Obviously, possession of need for achievement or for power is not an explanation. Persons motiveted by either or both may instead develop an effective system of government administra-

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13. Certainly, for example, the cause of varying degrees of effort to achieve, among a number of persons, may be either varying degrees of achievement motivation, or may be an equal and high degree of achievement motivation in all of the persons countered in varying degree by an (unconscious) fear that achievement is dangerous because it threatens to rival an authority who should not be rivaled, for example, the person's father. In other words, a passive and non-exploratory person may simply be not motivated, or he may be highly motivated but inhibited.

14. In his Brighton, Utah, speech, loc. cit., p. 8. Evidence of the importance of such influences is an eloquent commentary on the lack of realism of the economic assumption that a man's choice of occupation is determined by his desire to maximize his economic income. The lack of realism does not necessarily impugn the analytical usefulness of the assumption for static analysis.

tion, or may make advances in art, philosophy, or literature, or as a group they may conquer their neighbors.

Psychologists do not know the answer to the question. I suggest some possible influences below. An individual will channel his energies into science or business, and will be an innovator, given a sufficiently high degree of intelligence, if in his early life he acquired on a number of occasions the following "feelings,"[15] and especially if these feelings are reinforced by the values of his social environment as he grows older:

(a) A view of his environment as subject to being influenced by him.

(b) Need for autonomy.

(c) A feeling of achievement in manipulating or studying the physical world.

(d) A feeling of power in manipulating or studying the physical world. The power that is relevant may be an extension or magnification of oneself through control (actual or intellectual) of some power of nature or science, or by some early association it may be power over other persons.

(e) A feeling that such activity wins recognition from his "reference group," the group whose esteem gives him satisfaction.

(f) A "direct" favorable emotional attachment. It is probable that a child breathes in ("learns") satisfaction in some activities or occupations, and discomfort in others, in ways not comprehended by (c), (d), and (e) above, from the contentment of his parents (or other early associates whose emotional reactions affect him strongly) in some situations, their discontent in others, their reverence or respect for some persons or symbols, their antipathy to others. It may well be that these direct emotional attachments plus the esteem attached by the reference group to a given occupation, channel the individual's generalized drives for autonomy, achievement, and power into a specific occupation, so that (e) and (f) are the crucial variables in determining the field of work, and (b), (c), and (d) determine the nature of the individual's activity within that field.

This list is undoubtedly neither complete nor fully correct. But it may be a useful starting point for analysis.

The importance of the reinforcement of these early attitudes by his society has been mentioned. A person whose early motivations are affirmed by the approval of his culture as he grows older is impelled systematically in a given direction; if his early motivations are contradicted, he is confused and unhappy.[16] In a

15. In psychological terminology, "affective states."

16. The fact that in a changing society, many individuals are driven by the need of making a living into jobs that do not satisfy their early motivations is an important source of industrial, social, and political unrest.
This discussion omits the situation in which early motivations are themselves contradictory--perhaps an even more important source of difficulty in a changing industrial society.

traditional society, an individual's experience tends to inculcate in him the same motivations, attitudes, and values that his parents and their ancestors possessed. One of the crucial questions of economic development is, How does a person acquire motivations different from those of his elders?

This list of influences determing a person's use of his energies during his lifetime does not include the one assumed by many economists to be the basic relevant motive, namely the "economic motive" or "goods motive," the desire to maximize income. This is because the goods motive, though real and powerful, is initially merely the surface reflection of the influence already discussed. Goods are wanted because they symbolize achievement or accomplishment of the processes of production to which there was initial emotional attachment, or give power or prestige.

A secondary goal, once learned, may become a goal in itself, and economic reward may become a symbol without which motivation is lacking. However, unless economic effort yields social status, it may not be felt to constitute achievement.

3. The Process of Change

The path from a traditional state to one of continuing technological change is a long one, in logic, and for every society which has made the transition in the past, in time as well. The elements of change sketched in Section 2 are cumulative changes, occurring over a long course of development. The problem of the transition is the problem, not merely of the final change to continuing technological progress, but of the preceding long sequence of change from a traditional state.

The concept of a traditional society, in which no change in institutions or techniques occurs over time, is an ideal form, an analytical model, rather than a description of historical reality. However, all the elements in it have existed historically, and exist in many societies today. It is only the concept of equilibrium in such a state that is unrealistic. But the equilibrium concept is a useful starting point for analysis.

Such an equilibrium implies absence of any tendency to increase one's rate of economic income. It seems a safe principle that between two rates of income flow, almost any individual in any human society will like the greater of the two as well as or better than the smaller, other things being equal, and that the modal preference of the members of a group will be for the larger flow. Exceptions to this rule must be so rare that they can be treated as abnormal cases. But this fact does not interfere with the concept of a society in which no change in per capita output is taking place. For the desire for increased income is counteracted by other forces determining individual behavior.

In a traditional society, applying energy and income from other uses to the study of production methods promises little achievement, power, or prestige, since fruitful change in production methods lies outside the experience of the society. On the other hand, it involves fulfilling obligations to one's family less well, neglecting religious duties, losing esteem through lessened contributions to festivals, etc.

Occasional technological advance may occur in two ways. First, the more or less random action of intelligent minds may bring discovery of improved methods. Secondly, in any society some deviant individuals[17] appear. Some combination of

17. A term which includes Alexander the Great and Henry Ford as well as village fools and tinkerers.

influences during the early years of life makes an occasional individual dissatisfied, tense, driven to use his energies in unconventional ways, including devotion of more than the typical amount of energy to the study of the physical world, or to technological innovation.

From time to time, therefore, new techniques will be discovered. Some, because their use involves change which runs sharply counter to attitudes and values in the society, may not be adopted, but some will be. In the typical society, over time there will be technological advance, though the advances may be spaced so far apart in time that the society is appropriately described as technologically in static equilibrium, with advances as discontinuities.

From this stage, what is the course of transition to a state of continuing technological progress? Two conflicting theses may be sketched. For convenience I shall term one of them techno-economic, the other sociological.

When consideration is centered on technological and economic factors, the transition to continuing technological progress seems to have the inevitability of mathematical logic. With the accumulation of scientific and technological knowledge, the rate of discovery of new techniques will accelerate, simply because there is a growing body of ideas in existence to be combined into new ones. As the prospect increases that the devotion of energy to science or technical innovation will be fruitful, the balance of attractiveness between various activities will gradually shift, even though traditional roles and activities remain absolutely as attractive as before. Thus a steadily increasing number of individuals, and ultimately large groups, will devote their energies to the new activities. Appropriate changes in economic and social institutions will be induced. The trickle of technological progress will become a rivulet, a current, and finally a rushing tide.

This theory is implicit in much economic thinking, and underlies the assumption by many economists that economic or technological changes alone will bring economic development. The evidence of history and general principles of sociology both suggest, however, that the model is unrealistic.

It suggests a steadily accelerating rate of change. But gradual acceleration to a stage of continuing technological advance does not seem to have been the typical course of technological progress. Indeed, such inexact historical knowledge as is available suggests that it may not have been the sequence anywhere. There was so marked a change of pace at some point in the transition, not only in Britain, but also in the countries of Western Europe and those Latin American countries where a transition seems to be near completion that a surge of change, rather than acceleration, seems the appropriate description. The concept of gradual acceleration runs into especial difficulty in explaining the transition in Japan, that in the Soviet Union, or those which seem to be under way at present in China and India.[18]

It is possible to argue that gradual acceleration may have been the underlying trend in each of these societies, and that when some especially favorable event was superimposed on that trend, it brought a surge. Such an event might have been a scientific or technological "breakthrough," a major increase in economic oppor-

18. The emergence of continuing technological progress in the United States, Australia, New Zealand, and Canada was not by transition from traditional or other pre-industrial societies. These cases are rather to be regarded as offshoots of the transition in Britain.

portunity, the stimulus of a new economic problem facing the nation, a collapse of opposition by vested interests, or some other. In Japan, the Soviet Union, China, and India, the favorable event was the coming into power of a government eager to aid the transition. In this view, the surge is fortuitous; gradual acceleration would have completed the transition without it.

In support of this thesis it may be argued that with a favorable tide under way, there are virtually certain to be some occurrences which will accelerate the rate of change. However, the realism of this explanation is questionable. In every case for which we have reasonably good data, a surge has occurred. The apparent universalism of surges suggests that they are an integral part of the process. Further, the hypothesis is inadequate to explain all of the phenomena in which the student of economic development must interest himself. It requires us to include under the heading of "fortuitous" events so closely related to the transition as the Meiji restoration in Japan and the Bolshevik revolution in Russia. These were caused by a desire for change. A hypothesis that encompasses them would be preferable to one that must treat them as accidental or exogenous. This objection may be generalized. Basic social changes are necessary throughout the course of the transition. Due modesty requires that before concluding that these merely follow along after economic change, economists inquire what sociologists know about the processes of social change.

Economic change involves social change. It is a historical truism that socially dominant groups are not only not motivated toward economic change, but will oppose it, to protect their position. The one exception is that they may adopt it if it offers protection against outside pressures or internal revolt. Further, a movement toward important technological change in any traditional society, since it will involve major social change, will meet with strong resistance not only from dominant groups but from individuals throughout the society. Important technological change is apt to require changes in individual occupations not sanctioned by existing values. These may disrupt family relationships. Both the family relationships and the other social relationships may be sanctioned by religious teachings, to which the new activity may run counter. For these several reasons, it may meet with disapprobation, low valuation, contempt; it may be regarded as undignified, sacriligious, "queer." The weight of parental and patriarchal influence may oppose it. There may be positive social and political action against it. Radical social change is therefore not apt to occur by gradual acceleration.[19]

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19. If one regarded neo-Malthusian population theory as realistic, one might find in it additional reason to question the possibility of gradual acceleration of technological change. I do not advance the relevant argument here, however, because I believe that there are good reasons to regard neo-Malthusian population theory as not realistic. To discuss them would require more space than is available here. I hope to do so in a later paper. I will merely note the empirical fact that there seems to have been no case anywhere in the world in which continuing technological change, as defined here, once under way, was subsequently "swamped" by population increase, so that *per capita* income failed to rise cumulatively. I believe that this is not tautological, fortuitous, nor due to biological limits on population increase, but rather that there are forces not encompassed in present population theory which may be counted on to prevent population from rising as rapidly as aggregate income, once the virus of technological advance has taken hold.

The long sequence of radical social changes which constitutes the transition probably occurs, not merely by the action of deviant individuals, but only when some sizeable group within the society exerts great energy toward that end. Only groups that are "subordinated" or fear "subordination" will do so. Before stating the sociological theory of the transition, it will be useful to consider the theory of "subordinated" groups. In the extreme case, such a group may be an entire society. The case in which it is a group within a society will be considered first.

A society is never perfectly integrated, in the sense that the motivations and values held by all of its constituent groups are consistent, and the role of each group in the society satisfies the emotional needs of the group. Some groups will be at a relatively disadvantageous and unsatisfying position in the social structure. The lines of their differentiation from dominant groups may be ethnic (Jews, Negroes, many immigrant groups), or on the other hand may be purely or almost purely cultural (many of the Dissenters in England, various classes under feudalism). For want of a better term I shall call such a group a "subordinated" group, but the term should not be thought to imply necessarily any subordination in civil or political rights. The discrimination may be purely social.

I have no suggestions to offer concerning the emergence of group subordination, beyond the sociological platitude that if two groups with different cultures come in contact, some friction between them is apt to occur. Beyond this it seems sufficient to assume group subordination as an event in the stream of human history.

I suggest that a crucial fact with respect to the transition is this: the tensions arising in a subordinated group, and between that group and other groups in the society, may tend to inculcate in the young, motivations radically different from those that had been transmitted from generation to generation before the tensions arose. As examples of how this might occur, when parents are tense, the home environment of the child will differ in various and subtle ways from that in previous generations with tensions absent; relations of children with children not of their group may have high emotional content and may therefore be of unusual influence in creating motivations; youths of the group may form groups of their own, with mores and standards different from those of their elders (so-called "youth cultures").

If such a change in motivations occurs in many members of a younger generation, or over several generations, the widespread approval within the group of new modes of behavior will insulate its members in considerable degree from the inhibiting effects of the disapproval of other groups in the society. Thus group pressures may both change the unconscious motivations that govern a man's use of his energies, and provide reinforcement for the new motivations throughout his life. It is a tentative thesis of this essay that reaction of a subordinated social group to its subordination has been a central force in each step of change from traditional society, and specifically that such a reaction by a subordinated group, in favorable circumstances, is requisite for the final surge by which continuing technological progress is institutionalized in a society.[20]

What are the necessary favorable circumstances? One is that the society,

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20. The take-off is like the last stroke of a chisel that splits a stone, no more important causally than previous strokes, nor different in general nature from them.

or groups in it that are important numerically and otherwise, have previously moved some distance from a traditional state with respect to the complex of elements of change discussed in Section 2. However, as has been suggested in Section 2, no given degree of any of these changes is a prerequisite. The circumstance that perhaps comes closest to being an absolute prerequisite is existence of and access to an accumulation of scientific knowledge sufficient for rapid continuing scientific and technological advance. But even the accumulation of scientific knowledge that is necessary will depend on the amount of energy poured into the process and on the economic circumstances.

A second favoring circumstance is that the subordinated group has an ideal of high or independent status--presumably arising from their previous history--so that their reaction to subordination is revolt, not submission.

A third is that release from subordination via achievement in traditional modes of activity is barred. And a fourth is that opportunity for increase in power through economic achievement exists.[21]

Various fortuitous events will of course affect the success of the final surge. However, the presence of subordinated groups, eager to take advantage of them seems more important in an analytical model than the fortunate events which may loom large in an historical account.

The analysis so far has explained how a subordinated group may be motivated to economic zeal, and may enter upon continuing technological progress. One further condition must exist if the activity of the innovating group is to spread to the society as a whole and complete the transition. The group must not be so alien--so different from other groups--that its activity creates emotional antipathy rather than desire to achieve equal success by doing likewise. If the society is to follow the innovators, it must have common cultural bonds with them. Otherwise, their very success may create a drive for their suppression. The Dissenters led the Industrial Revolution in Britain, but Jews were suppressed or expelled in many places and Huguenots in others.

The history of colonial areas, if read in the light of modern psychology and sociology, illustrates the nature of a society's reaction to an alien group. Westerners possessing advanced techniques came to traditional societies and subordinated the indigenous population. Why have the latter in many places been slow to react by economic achievement in an attempt to escape their subordination?

The Westerners were aliens, who subdued the indigenous peoples by force. In virtually every colony they also disrupted the native culture and violated its deepest ethical and moral values.[22] The result of such disruption and of the

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21. Concerning these third and fourth points, see pages 11-13 above.

22. For example, in some areas, by introducing Western systems of land ownership by individuals in fee simple they destroyed rights in land that were the basis of community life and that were sanctioned by sanctions as deep-seated as, say, the right of parents to rear their own children in the West. By introducing Western law and rules of evidence they insured that court decisions would flaunt basic moral codes. By introducing contract, they deprived the unfortunate of their right to community alleviation of the unforeseen rigors of a tricky agreement. They showed contempt for religion. Etc.

apparent hopelessness of rebellion is to create emotional uncertainty that almost certainly has two important relevant effects. First, it militates strongly against the acquisition of achievement motivation and of a view of the world favorable to initiative. Secondly, it creates an intense need to hold on to the old values that alone stand between life and chaos, hence a deep unconscious antipathy toward the new occupations and new economic roles introduced by the aliens. Thus colonial administration effectively blocked incentive to participate in economic development, even where it provided capital and knowledge of advanced techniques.[23,24]

In Japan, on the other hand, the aliens created fear of subordination, but they did not occupy the land, disrupt its culture, and occasion the antipathy to their occupations which they created in colonial areas. This contrast between Japan and other Asian countries in relations with the West is perhaps of basic significance in explaining the rapid development of Japan.[25] Consideration of the history of Japan suggests the generality of the theory of reaction to subordination.

The Tokugawa family, who held the shogunate (or office of military dictator) from 1603 to 1868, had as a main goal the prevention of change in the social order. They ejected foreign traders from Japan, except for a small group of Dutch at Nagasaki. They kept the Dutch there, partly to obtain desired imports, but partly deliberately to have a channel of information concerning the West. A contemporary Japanese said: "To defend ourselves against the barbarians, we must know them and ourselves: the way to know them is through Dutch studies."[26]

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23. The unconscious blocks to interest in the new occupations are not inconsistent with imitation of certain cultural values of the aliens--e.g., their sports, their dress, various of their attitudes. On the contrary, certain principles of psychiatry suggest that the two modes of behavior are to be expected at the same time. This problem, however, involves too great a digression to discuss here.

24. I discuss this aspect of colonial administration in the case of one country, Burma, in a monograph now under preparation.

25. It should be noted that this thesis concerning colonial areas and concerning Japan is a construction by the writer. So far as I know, no sociologist or anthropologist has suggested this causal relationship, My evidence is the psychological principles mentioned, plus subjective judgment based on personal observation in some "underdeveloped" areas.

26. Thomas C. Smith, Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880 (Stanford, Calif., 1955), p. 2. Smith cites only two non-Japanese works concerning early Japanese exploration of Western knowledge, one in Dutch, one in English: C.R. Boxer, Jan Companie in Japan, 1600-1817, The Hague, 1936, and Donald Keene, The Japanese Discovery of Europe: Honda Toshiaki and Other Discoverers, 1720-1789, London, 1952. He cites many Japanese sources. My account is mainly from him. See also M.J. Levy, loc. cit.; E.H. Norman, Japan's Emergence as a Modern State, New York, 1950; G.B. Sansom, Japan, A Short Cultural History, rev. ed., New York, 1943, and The Western World and Japan, New York, 1950; and J.C. Moloney, Understanding the Japanese Mind, New York, 1954. Moloney presents a psychological interpretation of Japanese culture and Japanese development whose validity I am unable to judge, but parts of which I believe other psychologists question.

Before 1800 Dutch grammars and dictionaries had been prepared, language schools opened, and "scores of books or parts of books" on many fields of Western science, engineering, history, and politics translated. Later, important schools for "the study of barbarian books" were opened. In the first half of the nineteenth century, laboratories were established and many pilot metallurgical processes were performed, guided purely by study of the books, and without technical aid. Full scale enterprises were then established. Before Perry's arrival in 1853, an iron ore smelter, one or more reverberatory furnaces, and an iron foundry were in operation. The center of interest was avowedly defense, and emphasis was on iron and steel, munitions production, and after revocation in 1853 of an order forbidding shipbuilding, on shipbuilding. After 1853, the Japanese imported European technicians on a considerable scale, and in addition to defense industries developed coal mining, textile manufacturing, and commercial enterprises. All of this activity was by the feudal "clans" which formed a part of the government structure, and by the Tokugawa themselves; in part the consumer goods industries were developed to meet the need for revenue to finance the defense industries.

This development had been in the name of defending the traditional social order against barbarian invasion. The Japanese knew of Western invasion of Asian areas, for example, Indonesia and India. During the nineteenth century they were keenly aware of Western intrusion into China. When Perry appeared with four warships in 1853 and demanded a treaty, anti-foreign feeling became intense. In succeeding years it was inflamed further by Western humiliation of Japan through forced treaties, violation of Japanese conventions of personal behavior, and acts such as the bombardment of Kagoshima by the British.[27] If the Westerners had invaded Japan then, the Japanese would have resisted and been defeated, and, I suggest, colonial rule would have brought the emotional confusion it brought elsewhere.

But the foreigners did not invade Japan and rupture Japanese culture. They gave Japan a breathing spell. During the fifteen years following 1853 an internal struggle raged. On one side were the clans (or clan leaders) who preached that the barbarians should be expelled, but who opposed the internal change, involving radical change in their own positions and functions, necessary to make the expulsion possible. Faced with reality, they were paralyzed. As each foreign demand forced the issue, they supported the shogun in his concessions, and took no other action. On the other side were the clans and individuals in clans who advocated dealing with the barbarians of necessity, meanwhile altering Japan's social institutions in order to create a modern army and navy and to carry out technological advance to the ultimate end of repelling the foreigners. Their analysis of the need for social change to accomplish the other changes was sound. With the prevailing class rigidities, it was not possible to obtain the necessary talent in the new functions. And under the feudal dispersion of power, the central government's only sources of revenue were the extensive landholding of the Tokugawa plus the enterprises developed by the Tokugawa themselves. It had neither the power to collect taxes nor other powers necessary for forceful action.

But the struggle was not merely one of ideas; it was a struggle of social groups to escape or avoid subordination for themselves, and also for Japan as a

27. In retaliation for the beheading by a samurai of an Englishman for a serious (probably unwitting) breach of conventional behavior.

whole. In 1868 a group of fairly low-ranking samurai from the rebel clans took over the government, under the guise of restoring the power of the emperor. Allied with them were merchants, wealthy peasant landlords, and industrialists. Each had its own motivation. The warrior function of the samurai had gradually withered; their allowances had gradually been reduced by their daimyo or lords; they were heavily in debt to merchants and others, and repeated laws for their relief had been necessary. The motivation of the merchants was to burst the feudal restrictions on their social position which have already been discussed.[28] The wealthy peasants, who were educated both in government and war,[29] had found their social position steadily deteriorating, because of their weakening control of local communities and the deterioration of community institutions, both trends being consequences of the growing monetization of the economy. The industrialists were individuals drawn from the other three groups.

But the purpose of each group was not merely to restore or augment previous power. The victorious samurai moved to eliminate, not restore, their old functions and status, and to move forward with technological change. A drive to save the nation from subordination was an important element in the motivation of all.

Thus the Japanese change was not sudden. Change in the elements discussed in Section 2 had prepared the way, and reaction to subordination or very real and justified fear of subordination provided the energy for the social revolution. Given these developments, Japan created the economic institutions that she lacked. But the old powerfully influenced the new; the course of her development from 1868 to the present was markedly different from that in the West because it was powerfully influenced by the persistence of previous social valuse and relationships.

The record of Japan's economic revolutions illustrates the principle of reaction to subordination operating between societies. The dominant groups in Japan began to introduce Western learning and modern industry during the Tokugawa era. They did so because they feared social subordination by foreign groups. Though dominant at home they were in prospect, in their own eyes, a subordinated group.

They could not however bring themselves to carry out the social revolution necessary to complete their economic program. This was done by groups who were subordinated witihn Japan. Thus the history of Japan doubly confirms the thesis suggested above that reaction to subordination is necessary for the transition.

In conclusion, the relationship of the theses presented here to a much-discussed alternative hypothesis should be suggested. This is the hypothesis that whether development occurs depends on the religious temper of the society. The transition occurs because the society possesses what Weber termed the "Protestant ethic."[30] Briefly, the Protestant ethic is the doctrine that the duty of man is to glorify God by developing to the utmost the world that God has created. This religious value, where it exists, creates a high valuation on thrift, austerity, and economic achievement.

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28. See Page 199.

29. See Smith, op. cit., Chapter II.

30. Max Weber, The Protestant Ethic and the Spirit of Capitalism, translated by T. Parsons, New York, 1948.

The theory that the Protestant ethic causes economic development is given a high degree of plausibility by the sequence of events in Western Europe in the seventeenth, eighteenth, and nineteenth centuries. Robert K. Merton has pointed out that the Protestant religious groups of the seventeenth century regarded the glorification of God by good works on earth as the supreme duty of man, and that good works came to be interpreted as successful economic activity, and has shown that the scientists and economic innovators of the period were predominantly Dissenters.[31] Calvinist doctrine presumably stimulated economic achievement in one way, the doctrines of the non-Calvinist Dissenters in another, but both effectively. The non-Calvinist Dissenters taught that man may gain salvation by good works on earth. Calvin taught that one's fate in life hereafter is predestined from birth, but that whether a person is possessed of a "state of grace" can be seen by his works. "A good tree bringeth forth good fruit." The non-Calvinist ethic, insofar as it affected human behavior, did so by creating in the individual an urge to save himself from eternal damnation by performing good works on earth. Calvinist doctrine, on the other hand, created in each Calvinist a drive to demonstrate to himself that he stood in a state of grace and would be saved, by performing the good works which were the external evidence.

The effect of both the Calvinist and non-Calvinist Protestant doctrines, as sketched above, was via a rational or conscious channel. It is not man's conscious thought processes, but the emotional associations below the level of consciousness, that determine how he will spend his energies during his life. However, it is easy to see that childhood environment in the homes of Dissenters might have created such motivations. McClelland has presented interesting evidence that the Protestant ethic leads to "independence training," that is, early childhood training encouraging independent actions at an early age, and tending thus to cause the child to feel satisfaction and emotional security in independent behavior.[32] The connection between this training and economic achievement has been suggested above.[33]

In Weber's version of the Protestant ethic thesis, the ethic comes to exist because of (unspecified) causes that are presumably quite unrelated to economic change, and then causes economic development. However, the Protestant ethic may be a result, not of religious doctrines but of a drive by a subordinated group both to gain satisfaction through economic activity and to rationalize this activity in religious doctrine. The Protestants may have "created God in their own image," rather than the reverse. This seems to me to be a plausible explanation of the development of the ethic. Unless and until an alternative explanation is presented that seems more plausible in the light of Western European history, I suggest that the Protestant ethic should be considered as a channel through which reaction to subordination operated.

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31. Robert K. Merton, "Science, Religion, and Technology in Seventeenth Century England," Osiris, IV (1938), 360-632. For a summary of the material there contained, see alternatively, Robert K. Merton, Social Theory and Social Structure, Glencoe, Ill., 1949.

32. D. C. McClelland, "Some Social Consequences of Achievement Motivation," in Nebraska Symposium on Motivation III, Marshall Jones, ed. Linocln, Neb., 1956, pp. 41-72.

33. See pages 202-206.

4. Conclusion

This essay has attempted to analyze causal sequences in the process of social change from a "traditional" to a technologically progressive state. The problem has received little attention in the professional literature, and parts of the theoretical structure presented here are new. The most obvious of these, it seems to the writer, is the loosely-structured discussion of elements of a traditional culture which may be expected to change as economic development occurs. A second is a brief statement of the factors which determine an individual's choice of occupation. Central to the entire argument is the hypothesis presented on pages 32-36 concerning the role of "subordinated" groups in the process of change. This includes discussions of the ways in which "subordination" may lead to radical alteration in the motivations of successive generations, and of the circumstances in which such a change in motivations may lead to the institutionalizing of continuing technological change.

All of these suggestions are tentative and untested, some of them may have to be discarded. Obviously, they will as a minimum be much modified, elaborated, and refined by professional discussion and by research insofar as research can be applied to test them. The essay is presented as a starting point for analysis and in the hope that it will stimulate discussion among scholars interested in the process of cultural change.

Everett E. Hagen

Massachusetts Institute of Technology

NEW CAPITALS OF ASIA[1]

Following the second world war, a dozen countries of monsoon Asia became independent. Some were old units, some new, but all had experienced a long period of foreign control during which their economic structures had been oriented increasingly toward the West. The dozen included Pakistan, India, Ceylon, Burma, North and South Viet Nam, Laos, Cambodia, Indonesia, the Philippines, and North and South Korea. Thailand (Siam) also entered a new period of fuller independence than it had known since the 1840's, and Malaya will shortly be added to the list, although it is not clear at present writing (October, 1956) whether Singapore will ultimately form part of Malaya or become a separate independent political unit. The current unnatural division of Korea and Viet Nam and their uncertain political futures make it awkward to consider them in the same context as the others;[2] Laos and Cambodia have too recently emerged as states and have been too little involved in the economic and political processes at work elsewhere in monsoon Asia to make them fully comparable either. The remaining countries, including Thailand and Malaya, exhibit with few differences an urban problem which will be the subject of this article.

The present capital city of each country, with the exception of India where Delhi replaced Calcutta less than fifty years ago, arose essentially or entirely as a colonial port. Each underwent a similar development and played a similar role in the colonial process of commercialization. Each has thus inherited similar problems as it has recently become, for similar reasons, the political capital of an independent national state. They deserve attention as capitals and as big cities, but this article is directed primarily at an analysis of their common history and common new situations as their functions have been transformed nearly simultaneously from colonial to national.

The basis of any city, or indeed of any town with the possible exception of some purely religious centers, is access. Cities exist to perform certain functions on behalf of the surrounding areas; their size varies in accordance with the size of the productive area which they serve, which is in turn dependent to a large extent on

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1. Some of these cities are analyzed from different points of view in N. S. Ginsburg, "The Great City in Southeast Asia," American Journal of Sociology, 60:455-62 (1955), and in D. W. Fryer, "The Million City in Southeast Asia," Geographical Review, October, 1953; the latter article includes maps of Bangkok, Singapore, Djakarta, Manila, and Saigon-Cholon. A detailed analysis of the development of Rangoon, with several maps of the city, are provided in O.H.K. Spate and G.W. Trueblood, "Rangoon: A Study in Urban Geography," Geographical Review, January, 1942.

2. For example, the phenomenal growth of Saigon-Cholon (a joint Sino-French city in its modern form), from 498,000 in 1950 to an estimated 1.8 million in 1956 has been very largely due to refugee immigration from Tonkin and from civil disorder in the south.

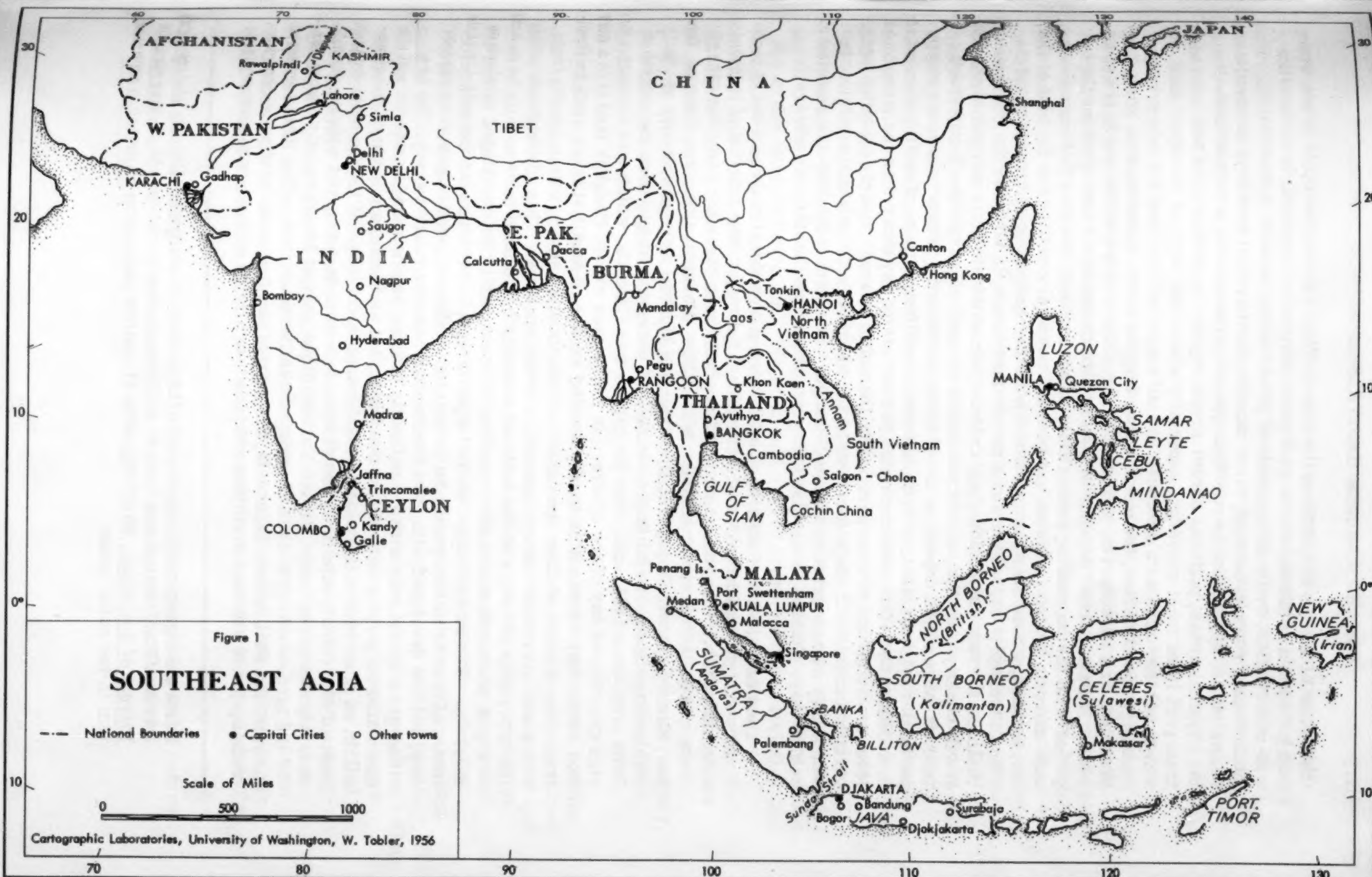

Figure 1

SOUTHEAST ASIA

their ease of access to and from the area. Thus cities grow up at points from which they can command the largest productive tributary area, in competition with other cities, or in other words at points where access is maximized. River confluences, river crossings, river mouths, the physical center of productive economic areas, approaches to mountain passes, transitional points between dissimilar physical areas, political border areas exposed to invasion, or any point where transport lines must converge, especially where one form of transport must give way to another such as a seacoast, are all common city sites for this principal reason; in point of fact, the world's four biggest cities (London, New York, Tokyo, Shanghai) are all seaports, and most of the million cities of the world are so as well. Ease of access depends of course also on available transport media; together with the increasing productivity of agriculture, the growth of low-cost volume movers, by sea and land, has been an essential conditon for the rise of all large cities, whose size has increased with the cheapening of transport and the rise in transport capacities since pre-Roman times.[3] Whether the city's major business is trade, manufacturing, defense, administration, or general services, it will equally seek the point of maximum access. However each city specialty (and all large cities depend on all of them, in differing proportions) may require a particular type of tributary area and hence a different point of optimum access. In addition, societies and economies are not static any more than the technological level or the means of transport. For these two reasons, nearly all cities exhibit certain anomalies in their locations, as the economic or political conditions to which they were originally adjusted change. Sometimes the city can re-orient itself to these changes, sometimes they are so severe that the city withers.

The new capitals of Asia have been faced with a drastically new set of conditions overnight, and have overnight acquired the major new function of independent administration. The resultant anomalies have been much the same for each of them. With the exception of Delhi, all of them (Karachi, Colombo, Rangoon, Bangkok, Kuala Lumpur, Singapore, Djakarta, and Manila) were essentially or wholly foreign creations. Delhi is not entirely an exception; it has been the capital of India only since 1911; until then the capital was Calcutta, which was as much a foreign creation as any of the others. In every case except Bangkok (and it is a qualified exception), these cities hardly existed except as small villages until foreign entrepreneurs made of them the essential funnels and service points for the trade which was the major foreign interest in every country. They chose points where the exportable products of the national economy could most conveniently be assembled, and from where they could most conveniently be re-shipped to Western markets. The same access worked equally well in reverse, for imports. It meant of course in every case an ocean port. (Kuala Lumpur is a very recent city, but has developed with Port Swettenham, twenty miles away.) The new cities grew up not only with a dominantly trading function, and an access and site calculated largely or entirely on that basis, but as Western islands of commerce within an otherwise mainly local or subsistenceeconomy. With the main domestic lines of movement, especially the rivers, focussed on them, and with the stimulus of foreign-inspired trade, all but Karachi (then part of India) rapidly became by far the largest cities in each of their respective countries. The island countries (Ceylon, the Philippines, Indonesia, Singapore) had few or no navigable rivers but made up for it with an enveloping sea; the new foreign cities in each were placed

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3. For a good general discussion of urbanization recently published, see Kingsley Davis, "The Origins and Growth of Urbanization in the World," American Journal of Sociology, 60 (1955), 429-37 and the collection of articles on urbanism in the same issue.

where they could most easily assemble by sea the exportable goods, mainly the products of plantation agriculture, but also of mines and forests. In nearly every case, these sites had been neglected until the foreigners stimulated the flow of trade, accelerated the commercialization of the economy, and consequently needed river-mouth seaports which gave them access both to the commercial hinterland and to the overseas markets.

The new cities became the largest in each country, in most cases the only real cities, because they served all or nearly all of the commercial functions for the new kind of economy which the foreigners developed in differing degrees all over the country, superimposed on an economy which remained agrarian and largely pre-commercial, and with the exception of India, very little urbanized. By far the most urbanized of the countries considered here, Malaya, has even now less than 40 per cent of its population living in towns of 5000 or more, and many of these towns are adjuncts to mines or plantations rather than the usual diversified commercial, manufacturing, or administrative centers of more highly urbanized areas. But despite the size of the foreign-founded cities in Asia, most of them were offside, on the fringes of each country rather than at its heart. As they grew, they and their surroundings became newly important, but nevertheless they were not well placed as capitals. Their locations had been envisaged in commercial rather than in political or administrative terms, although they also served as the logical colonial capitals. Their communications were by river and sea; by the time of independence this was a political or administrative disadvantage, in an age of railway, road, and air movement when central locations less tied to water routes could more effectively do the administrative job. Water in fact served consciously as insulation and protection for most of these foreign-developed port cities; tributary streams, marshes, lakes, or artificially dug canals were added to the master stream or the sea to give them water defenses all around and to underline their essentially alien nature and overseas orientation. While their delta or coastal sites also made problems for drainage, foundations for modern buildings, and often for water supply, their urban spread hugged the water (sea or river) as the economic basis of their existence.

The coming of independence was in most cases not a sharp break, but a handing over to indigenous governments of an administrative system already well developed under foreign rule and largely staffed by nationals of each country. The largest and most populous of the dozen, India, had some years before, in 1911, seen a shift of the capital from Calcutta to Delhi as the burden of administration grew larger and the logic of a centrally located capital grew too strong to be longer denied. But everywhere independence brought a greatly increased administrative job, one which most of the capitals inherited from the colonial period were poorly located to discharge. Psychologically also the port cities were associated with the foreign rule which had created them, and there was a strong desire to re-make, or at least re-name them in the national image, if the capital functions were not actually to be shifted to a new location. This attitude has of course been prominent in China, too, especially since 1949, where Shanghai played much the same role as the port cities of southeast Asia and would probably have been the colonial capital if China had lost its independence in the nineteenth century.[4] It was psychologically an impossible capital for an independent China, as Calcutta would have been for independent India.

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4. For a study of the growth of Shanghai, which so closely paralleled in its nature and development the cities considered in this article, see R. Murphey, Shanghai: Key to Modern China, Cambridge, Mass., 1953.

But China and pre-partition India are the only two Asian countries (aside from Japan, which alone avoided even a semi-colonial status) where there was more than one large city[5] and where there was therefore a choice, including already developed and more central sites. For the rest of Asia there was no real choice, although in every country there has been a movement to shift the capital inland, away from the sea and toward what is felt to be the indigenous heart of the country, especially in terms of its pre-colonial development. Such a capital could accentuate a genuinely self-sufficient and independent national life, one not overly exposed to foreign influences at a time when each country is vigorously concerned to create or recreate a valid national ethos. Unfortunately all of the new countries are economically dependent on trade with the West, in most cases vitally so for their own future development. For this and for the other reasons stated above, the major port, wherever it was, would probably remain the biggest city and the leading center not only of trade but of manufacturing and, importantly, of ideas, whether or not it was the national capital. The modern nationalism of each country grew up in the foreign port cities, as did the whole set of economic and political ideas imported by the West and with growing eagerness and understanding taken up by nationalist leaders and their people. Under independence, these cities (like most cities developed in the Western pattern) are likely to remain the national centers of change, ideologically and institutionally as well as economically; partly this is so because of their continued close commercial relations with the rest of the world, partly it is in the nature of any large cosmopolitan city whose functions are not limited to regional or national administration.[6]

The absence of any significant domestic rivals reinforces this point, and also involves an important prestige factor. A newly independent country especially derives prestige in the minds of its own and other people from the metropolitan and cosmopolitan character of its capital, and indeed purely from its size. It would be difficult for this reason as well to ignore the one existing metropolis or to give it a second-class status in favour of an inevitably much smaller inland capital, which would in most cases have to be made out of a moderate sized town or created de novo; the practical problem alone is discouraging. This is a different situation from Brazil's in its search for a new capital, recently analyzed most interestingly in the Geographical Review.[7] Brazil is a huge continental rather than insular or peninsular state, which means that any coastal capital is grossly eccentric and suffers a growing disadvantage as Brazil's interior develops economically. The economies of the Asian countries considered here (aside from India and Pakistan) are more likely to remain sea-oriented; nor do any of their present capitals have the topographic site problem presented by Rio de Janeiro.

One of the first and most obvious effects of independence on the new Asian capitals was a great increase in the populations of all of them, as they took on the

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5. The growth of Djokjakarta over 150,000 is very recent and primarily post-independence.

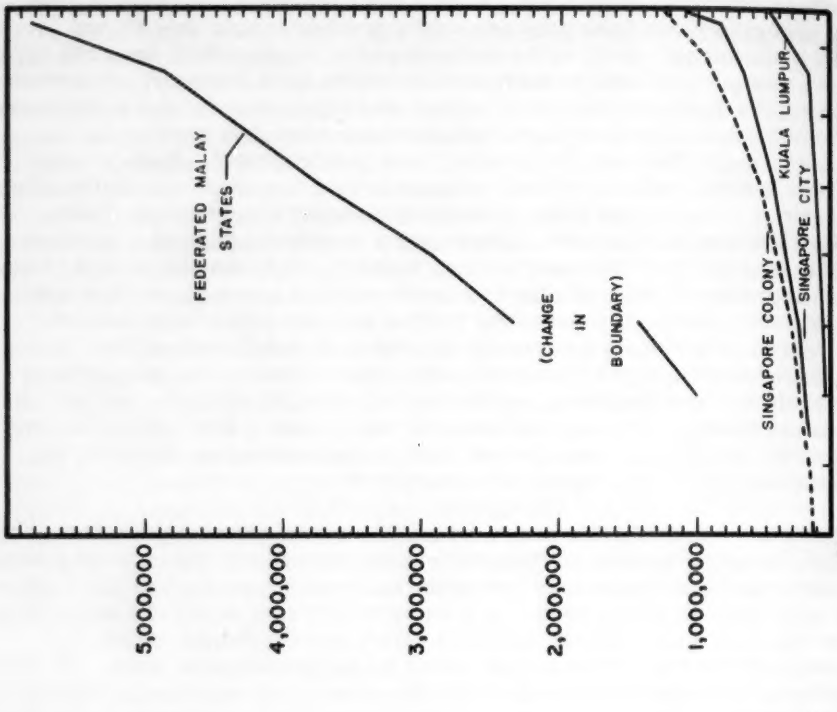
6. See R. Murphy, "The City as a Center of Change: Western Europe and China," Annals of the Assoc. of Amer. Geographers, December, 1954, for a comparison between commercial and administrative cities as stimulants or retarders of change and ideas.

7. P. E. James and S. Faissol, "The Problem of Brazil's Capital City," Geographical Review, July, 1956.

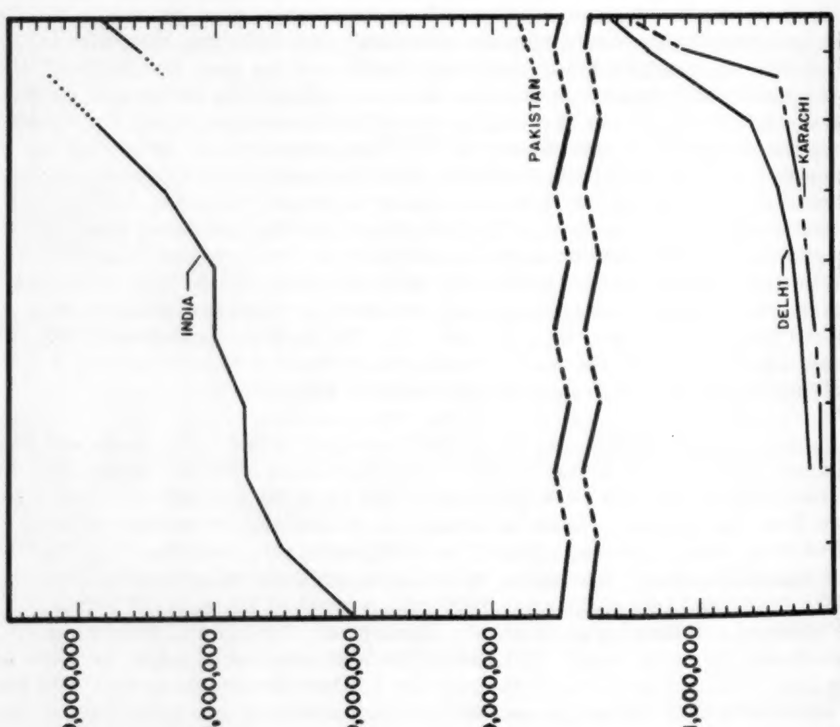
job of self-government. Where the political and administrative changes were greatest, this growth has been proportionately great and rapid (see Figure 2), notably in Kuala Lumpur (still in its early stages between a small town and the capital of a new political unit formerly administered from Singapore or through "indirect rule"), Djakarta (capital of a large and populous area whose organization and development are changing drastically from what they were under the Dutch), and Karachi (the capital of a wholly new political unit). Delhi's large growth (New and Old Delhi combined) reflects India's important and active role in world affairs, a herculean effort at national planning directed from Delhi, and a huge Indian population to be served over a very large area on a more detailed basis than the British attempted (see Table 1). With the single (and rather artificial) exception of Delhi, all the new Asian capitals are still, or have now become (Karachi and Kuala Lumpur) by far the largest cities in each country, and their primacy is rapidly increasing, despite their indifferent political locations. Apart from the rapid growth of most of these cities since independence as a result of their new functions, and the maladjustments which the new set of conditions has brought, they are important in themselves. It will be useful to summarize the comparable rise of each, and their common new situations as independent capitals, beginning at the western end.

Karachi is a relatively new city, only a little over a century old. Though it was founded by Hindu traders early in the eighteenth century, it remained a small local trade center until the second half of the nineteenth century, and had a population of only about 15,000 in 1850. It grew up to city size primarily as the port outlet for the wheat and cotton of the Indus Valley and the Punjab, especially after the extension of irrigation in both areas by the British after 1860. As such, it was a typical colonial port, in effect foreign-created and serving an area developed by foreign capital and direction concentrated on the production of goods for export to the West. However it never became a major port before independence, given the older establishment of Bombay and Calcutta, both with far more productive (especially less arid) hinterlands, and the fact that Bombay, its nearer neighbour, also had a far superiorharbour. Karachi's harbour is partly artificial and is still hampered by silting as well as by overcrowding and inadequate deep anchorages and pier slips. It does however have the advantage of tidal scour and is in a much better position than the many decayed ports on the shifting mouths of the Indus itself, where silting is far worse. The city's most recent rise to prominence as one of the world's major air junctions, in a commanding position on the route between Europe and the East, makes little contribution to its trade-handling facilities or to its population. Until the cotton and wheat booms of the late nineteenth and early twentieth centuries, Karachi was still a small local port of less than 20,000. By 1941 it had reached about 360,000, but its role was essentially the same despite the greater volume of trade; it continued to play second fiddle to Bombay, and also to Lahore.

Its choice as the Pakistan capital in 1947 was partly due to the awkward position of Lahore too near the Indian frontier (and for a time actually in dispute), and because Karachi, despite (or perhaps because of) its British origin and development, had from the beginning been the center of the nationalist movement to establish Pakistan, while Lahore, although an indigenous city, contains a large Sikh (i.e., non-Muslim) group. No capital of Pakistan could be called central, since the country is divided into two halves 1000 miles apart at the nearest points, but Karachi is at the extreme western edge. Rawalpindi, the third city considered as a capital partitition, is small (237,219 at the 1951 census), remote, and just as far from East Pakistan as Karachi is, with the further disadvantage that it is not closely associated with the major population concentrations and lacks easy communications; Lahore is much more central within populous West Pakistan, but



FEDERATED MALAY STATES
(CHANGE IN BOUNDARY)
SINGAPORE COLONY
SINGAPORE CITY
KUALA LUMPUR
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
1881
1891
1901
1911
1921
1931
1941
1951



INDIA
PAKISTAN
DELHI
KARACHI
400,000,000
300,000,000
200,000,000
100,000,000
1,000,000
1871
1881
1891
1901
1911
1921
1931
1941
1951

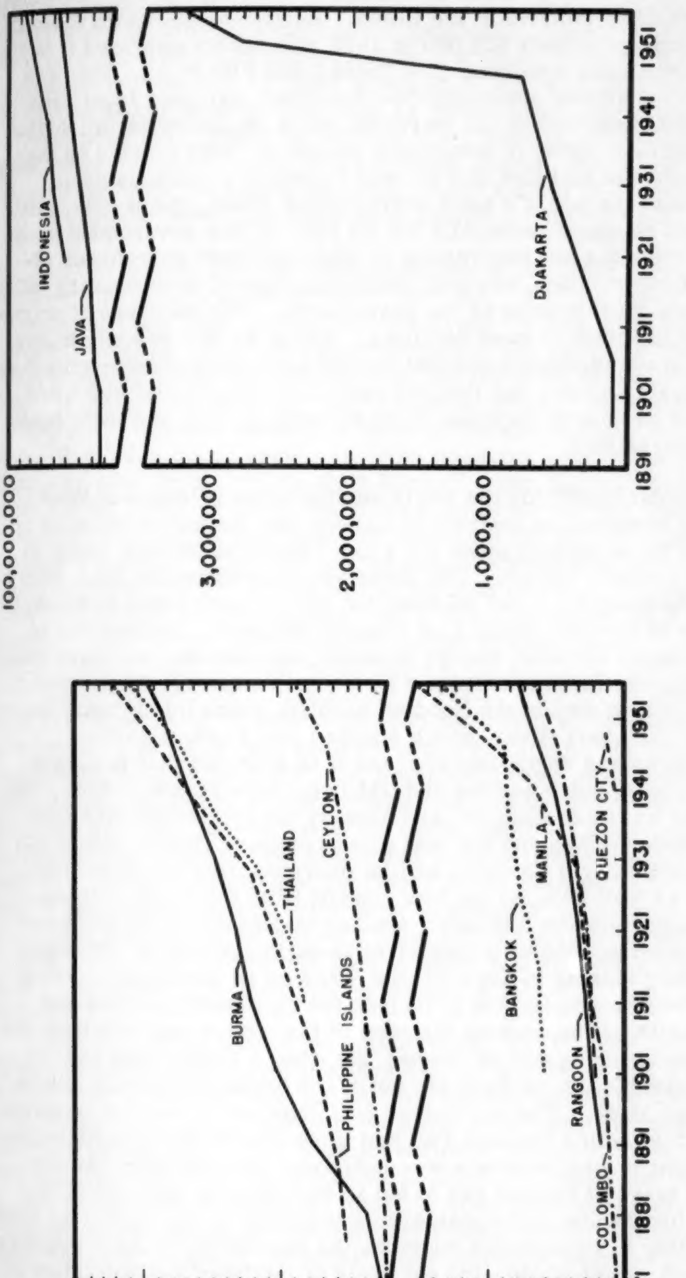


Figure 2.--Population Graphs

Karachi has at least the virtue of being a major ocean port and air center reasonably well placed to serve the population of the Indus valley and to maintain relations between Pakistan and the rest of the world. Independence, which found it still a small city of approximately 425,000 in 1947, has nearly swamped it in the first decade with a population explosion (see Table 1 and Figure 2). This was only partly the result of its new administrative functions; refugees from India were responsible for almost half of the increase, and a discouraging proportion of them are still unsettled, living in temporary shacks or tents erected on the open spaces and around the margins of what was formerly a spacious small city. Karachi is one of the world's most overcrowded cities, and of all capitals perhaps the least well equipped physically for its job. A few government buildings were inherited from the old government of Sind, but most government offices, including the foreign office, are still unsuitably housed in temporary buildings or private houses appropriated by the government. The shortage of private housing is too easily imagined to need detailing. Refugees and new administration rather than any trade increases account for the post-independence growth so far. Karachi and Kuala Lumpur are the only two cities considered which had never been more than provincial capitals in the colonial period, and their subsequent growth is not surprising.

The government machinery for the newly amalgamated province of West Pakistan has already been shifted entirely to Lahore, but the major relief is expected to come from the ambitious plans for a new capital at Gadhap, about 23 miles northeast of Karachi's center. The plans were announced in 1955, after a government-appointed committee had selected the site in preference to several others in the vicinity of Karachi, mainly on climatic grounds. Gadhap has an average elevation of about 400 feet, enough to mean more breeze and lower relative humidity than Karachi (annual average 53 per cent as against 78 per cent for Karachi); its elevation also avoids the flooding problem which told against nearer sites in the valley of the Lyari River, which empties into Karachi harbour. Karachi is already spreading northeastward, and it is expected that in time it will coalesce with Gadhap, much as New and Old Delhi have recently done. The whole will continue to be called Karachi, and already the city boundaries have been extended to include Gadhap and the land prices pegged. Water, which has been a growing problem in arid Karachi, will be provided from wells and two small local streams as well as from the new conduit from the Indus, although an adequate water supply may be difficult. Gadhap is planned as a government suburb where parliament and major administrative buildings will be put; since these are almost totally lacking in Karachi now, little or no additional expense will be involved. The new site is also to include the diplomatic enclave and planned residential units witihn walking distance of the offices and with their own shopping center; manufacturing will be banned, but when a motor road and rail spur (off the main Karachi-Lahore line) are built, the center of Karachi will be only about half an hour away. The parliament buildings are to be on a commanding hill of about 570 feet called Dharam Tal, and work is planned to begin before the end of 1956. Karachi may receive a new industrial stimulus with the discovery of a major reserve of natural gas at Sui in Baluchistan; the capital is being given priority for its use, and considerable increase in manufacturing might result. Oil prospecting in Baluchistan suggests the possibility of large petroleum reserves there as well, which could wipe out much of Pakistan's disadvantage in the lack of coal, and Karachi may be expected to grow even faster. So far, it has not been an industrial center of consequence, although the independent government has invested much of its new industrial capital there to produce for the domestic market, and has increased the output of industries processing agricultural goods for export. The continuing problems and frictions resulting from the division

between East and West Pakistan cannot be solved by any changes in capital location or growth, and it has never seriously been suggested that Dacca and Karachi should share or alternate the capital functions. Under the circumstances, Karachi's one-sided location will remain a handicap psychologically as well as physically, but there is no clear alternative, and with reasonable building progress the capital should in another decade be better fitted to discharge its so nearly overwhelming job. Since the British ruled what is now Pakistan from Calcutta or Delhi, Karachi avoids some of the colonial stigma, and derives further independent prestige from its unofficial status as the capital of the Muslim world. This still leaves it at best a far from ideal capital for Pakistan.[8]

The two Delhis (the only remaining two of the many which have risen and fallen on this site) are now in effect one city. By 1956, most of the open ground between them had been broken by foundations for new government buildings, incidentally revealing several fresh evidences of old Delhis of the past. Of all the world's capital sites, this has perhaps had the most kaleidoscopic and violent history. It has persisted as the major control point of India since at least the tenth century A.D., and was prominent for a millenium before that. There is a local saying that "The crops grow well from Humayun's tomb" (on the southern fringe of modern New Delhi) "to the Qutb Minar" (near the center of an old Hindu capital of the twelfth century, about ten miles west of Humayun's tomb). Battle casualties have fertilized and re-fertilized the soil, plus the refuse of successively destroyed urban settlements. Eight Delhis, of which modern New Delhi is the eighth, have been identified, but there have doubtless been more. The ruins of Tughlukabad, three miles from the Qutb Minar, are a shocking reminder of the area's troubled history. Built in the mid-thirteenth century on extremely massive lines with a series of thick walls of huge stone blocks, the whole is virtually a pile of rubble after its brutal sack by Tamburlaine in 1398. Few such monumental fortifications can have lasted so briefly or been destroyed so completely. But ruins are on every hand in Delhi, and even the proud vista from the Secretariat in New Delhi includes the heap of the old fort of Humayun's time (sixteenth century), not really very old but thoroughly ruined. Delhi lies in a narrow lowland passage where desert on the west, mountains on the north, and hills to the southwest give way to the productive valley of the Ganges and to easy routes south. It also has a strategic position at a crossing of the Jumna River (Ganges tributary) some fifty miles west of the Ganges itself. With these compelling advantages, as the point which each of the succession of invaders from the dry northwest had to force and control in order to rule the productive part of India, and as a conveniently central administrative location, it is India's natural capital.

That Calcutta remained the capital until 1911 is evidence of the strength of the colonial river-mouth seaport pattern even in this large and well-developed state with its own traditional interior capital, and the colonial pattern is still preserved in all of the other newly independent Asian countries. Bombay and Madras, India's two other big cities, were as entirely foreign-created in the colonial pattern as Calcutta. The British move to Delhi, or rather the building of New Delhi, in 1911 was in part a conscious effort to harmonize the alien rule with the historic tradition, and in part a recognition that Bengal and the Ganges were no longer more important, economically, politically, or militarily, than the rest of India. The new

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8. Information on current plans was obtained from personal interviews in Karachi, and from handouts of the Press Information Department, Government of Pakistan. For a more general analysis, see M. B. Pithawalla, An Introduction to Karachi, Karachi, 1949.

Table 1. Selected

	India	Delhi	Madras	Bombay	Calcutta	Hyderabad
1872	206,162,360			644,405		
1881	253,896,330			773,196		
1891	279,446,148	192,579	452,518	821,764	861,764	415,039
1901	283,872,359	208,385	509,397	776,839	1,121,664	446,191
1911	303,012,598	232,837	518,660	979,445	1,272,279	500,833
1921	305,693,063	304,420	526,911	1,175,914	1,327,547	404,187
1931	338,119,144	447,442	647,230	1,161,383	1,485,528	466,894
1941	388,977,955	620,582	777,481	1,695,168	2,488,183	831,967
1951	356,879,394	1,384,211	1,416,056	2,839,270	4,578,071	1,085,722
1954	377,000,000[2]					
1956		1,650,000[2]				

	Pakistan	Karachi	Lahore	Burma	Rangoon	Mandalay
1850		15,000[2]				
1856					46,000[2]	
1860		20,000[2]				
1872				2,747,148	92,301	
1881				3,736,771		
1891		105,199	176,854	7,722,053	180,324	188,815
1901		115,407	120,058	10,490,624	232,326	182,498
1911		151,903	228,687	12,115,217	293,316	138,299
1921		215,781	179,558	13,212,192	341,962	148,917
1931		163,565	429,747	14,667,146	400,415	147,932
1941		359,492	671,659	16,823,798	500,800	163,243
1951	75,842,165	1,126,417	849,476	18,600,000[2]		
1953					711,520	182,367
1954	80,167,000[2]					
1955				19,434,000[2]		
1956		1,500,900[2]			750,000[2]	

	Ceylon	Colomgo	Singapore (Colony)	Singapore (City)	Federated Malay States	Georgetown (Penang)	Juala Lumpur
1827		5,000[2]					
1831	960,000[2]						
1871	2,400,380	76,000[2]					
1881	2,759,738	115,115	139,208				
1891	3,007,789	147,368	185,117				
1895				179,926			
1900				202,841			
1901	3,565,954	184,952	229,904		1,021,503		32,281
1911	4,106,350	250,176	305,439	259,610	2,339,051		46,718
1921	4,498,605	296,431	420,004	350,355	2,906,691		80,424
1931	5,306,871	352,781	559,946	445,719	3,787,658	149,964	111,418
1941			760,000[2]				
1946	6,657,339	484,875					
1947			940,824	679,659	4,908,086	189,068	175,961
1953		595,948			5,815,000[2]		
1954			1,167,682	830,615			
1956	8,800,000[2]	645,000[2]	1,250,000[2]	1,100,000[2]		205,000[2]	485,000

Population Statistics[1]

	Java	Indonesia	Djakarta (Batavia)	Djokjakarta	Surabaya	Bandung
1880					120,246	
1890					145,690	
1891	24,133,685					
1897			115,567			
1900					146,944	
1901	26,125,053					
1905	30,098,008		138,551			
1910					151,987	
1918			234,697	97,058		58,649
1920	35,017,204	49,350,834			187,903	
1930	41,718,364	60,412,962	533,015	136,649	341,675	
1939		69,435,000[2]				
1940	48,000,000[2]					
1946			750,000[2]			
1947						
1951			2,800,000[2]	1,800,000[2]	715,000[2]	800,000[2]
1954		81,100,000[2]				
1956		85,000,000[2]	3,200,000[2]	1,950,000[2]	750,000[2]	1,050,000[2]

	Phillipine Islands	Manila	Cebu	Quezon City		Thailand	Bangkok
1877	5,567,685				1894		200,000[2]
1887	5,984,727				1901		600,000[3]
1903	7,635,416				1911	8,166,308	628,675
1910		234,409	31,079		1916		630,000[2]
1918	10,314,310	283,613	65,502		1919	9,107,355	
1929	12,082,366	324,522	86,152		1925		750,000[2]
1939	16,000,304	624,000[2]			1929	11,506,207	
1941		673,000[2]	155,100	40,000[2]	1937	14,464,105	827,290
1948	19,234,182	1,024,557	167,503	107,977	1947	17,442,689	889,538
1955	21,849,000[2]				1955	20,535,000[2]	
1956		1,500,000[2]			1956		1,300,000[2]

1. City figures for conurbation where possible.

2. Estimate.

3. Estimate; boundary change between 1877 and 1887.

Sources for population data include:

- United Nations Demographic Yearbook
- United Nations Population and Vital Statistics Report
- Statesman's Yearbook
- Census of India
- Census of Pakistan
- Census of Ceylon
- Philippine Census
- Census of Burma
- Malaya: A Report on the 1947 Census of Population
- Statistique Internationale Des Grandes Villes
- Encyclopedia Britannica

city, built as a total unit on open ground to the southwest of Old Delhi, is still an impressive example of urban planning, though its wide streets, circles, and vistas are in odd contrast to the old city with which it is now merging on the fringes, and also present a motor traffic problem akin to Washington's. One minor change has taken place in capital location since 1947, an end to the British practice of transferring the business of government every year to Simla, 175 miles north in the Himalayan foothills, from April to October, where a summer capital was built. To independent India it is a matter of pride as well as economy to stick out the fierce summer on the plains; unfortunately Delhi is hot even by Indian standards, and all activity including government inevitably slows down to some extent during the hot months, while Simla bewails its vanished prosperity and empty buildings. The annual summer exodus continues unofficially, not only as vacations but as business tours or meetings which whenever possible are scheduled to take the participants out of Delhi, to the hills or to Europe, during the dog days.

New and Old Delhi together remain a predominantly administrative city, with only a few light industries (flour, cotton), some wholesaling and distributing, the essential service industries, and the usual sprawling Indian bazaar (in Old Delhi), although tourists, Indian and foreign, contribute a good deal and can see in Delhi architecturally and in other ways an impressive microcosm of Indian history. Delhi and Bangkok are the only two cities considered which have much to offer architecturally or indigenously, since all of the others were foreign created and built and tend to be dominated by the same Nineteenth Century commercial monumentality in architecture familiar in the West, though adjusted to local climate and local culture. There are no plans or prospects for a proportionately greater share of manufacturing in Delhi. India is big enough and commercialized enough to support several port, trading, and manufacturing cities, in their appropriate locations, leaving Delhi free for its large job of governing one of the world's greatest countries, and the second most populous, which Delhi must guide through an unprecedented period of change and economic growth. Administration (plus refugees) alone is responsible for Delhi's population rise since 1911, and especially since 1947. It has well exceeded a million and a half in 1956, making it by far the largest non-port city in monsoon Asia except for Mukden (Shenyang) and Peking, both of which depend closely on nearby ocean ports. New Delhi fortunately inherited an impressive set of government buildings, but the independent government has rapidly outgrown them and even more rapidly outgrown the housing and commercial buildings intended for the population of 1941. Building is only beginning to move at the same pace as the population rise and the still expanding government; many government departments are still "temporarily" housed, some in Old Delhi. The city will probably grow more slowly in future, since the main administrative base has now been established; refugees (from Pakistan) were about as numerous as in Karachi, but have more quickly and suitably been resettled. In another decade Delhi should have the offices, houses, electric power, and water which it needs, the last two to be augmented from the new Bhakra-Nangal dam 175 miles to the north on the Sutlej River.

There have been occasional protests that Delhi is not really central, especially for south India, and Nagpur has been suggested as the national capital. Apart from Delhi's overwhelming natural and traditional advantages, it has the virtue of nearness to a currently sore frontier with Pakistan, and to Kashmir. To move the capital functions elsewhere would also mean an enormous expense in new (and wasted) buildings which the government could not consider for so questionable a benefit. Nagpur does lie in the transition zone between north and south India, and on the main rail line between Calcutta and Bombay, but it has no other advantages aside from its almo

exactly central position. The special committee appointed in 1910 to select a new capital in place of Calcutta chose Saugor in Madhya (see Figure 1) Pradesh, but its centrality and its cooler hill climate were not attractive enough to overbalance Delhi's advantages, including the historical-psychological advantage which the committee recognized as the most important. Hindustan and the Aryan-speaking areas of the north are clearly the dominant part of India, buttressed by the adoption of Hindi as the official language and sanctioned by long tradition which the controversy over language and states reorganization has not seriously weakened. The tradition includes Delhi as the capital of India. As an ancient inland city closely related to the historic and cultural heart of the country rather than a former colonial port, it can afford to ignore lesser degrees of centrality. As the second five year plan and the ubiquitous activities of government gather further momentum, Delhi will continue to grow and may reach two million by the census of 1961, the only capital in the world at once so old, so big, and so exclusively devoted to administration.

Colombo was a foreign city from its foundation, about the ninth century(A.D.)[9] although into the Portuguese period (1507-1658) it remained a small seaport and fortress town rather than a city. Arabs, Moors, or Persians, and possibly south Indian traders, first used it as a port for overseas commerce, and they and their Portuguese, Dutch (1658-1796), and British (1796-1948) successors controlled the trade and built and dominated the city. As elsewhere in monsoon Asia, the indigenous government of Ceylon showed little or no interest in trade, and its development and management, including the city which served it, were left in foreign hands. Spices gathered wild, notably cinnamon in the immediate area of Colombo, were the early basis of the trade, superseded in the course of the Nineteenth Century by the new plantation crops of tea, rubber, and coconuts developed mainly with British capital. All of these things were produced in the forested wet zone of southwest Ceylon, along the coast or in the hills tributary to Colombo. The ancient center of Ceylonese civilization had been in the level dry zone in the north central part of the island; it was abandoned in the Thirteenth Century with the collapse of the old order, and thereafter the Ceylonese capital migrated among various wet-zone sites, although they did not include Colombo, still a foreign city.[10] Kotte, six miles away and protected by marsh and stream barriers where the indigenous govennment could keep an eye on Colombo whose trade was an increasing source of revenue, was the capital until the Portuguese forced it up into the hills again, to Kandy, where it remained until the total absorption of the island by the British in 1815. Colombo did not however become a real city rather than a port and fortress until the late Nineteenth Century boom in tea and rubber (an earlier coffee boom collapsed when coffee was wiped out by the same disease which afflicted Java at the same time, but its place was soon taken by tea). These crops, plus coconuts, were grown in the wet zone lowlands or hills mainly within a hundred miles of Colombo, an area to which the city has access by way of the Kelani Ganga and Maha Oya valleys (the rivers themselves are not navigable). The British added roads and railways draining the plantation areas and all focussed on Colombo. Until independence the city grew in direct proportion to the growth of exports, from the cinnamon days to the second world war. Its originally small

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9. The earliest recorded mention of Colombo is in 942 A.D.--H.W. Codrington, A Short History of Ceylon, Rev. ed., London, 1929, p. 82.

10. For an account and suggested explanation of this shift, see R. Murphey, "The Ruin of Ancient Ceylon," Journal of Asian Studies, April, 1957.

sandpit harbour was progressively enlarged by breakwaters, and ship handling facilities are still being improved. The better natural harbours at Galle (near the southern tip of the island) and Trincomalee lacked Colombo's easy access to the main plantation areas in the modern period, although Galle remained a close rival until mid-nineteenth Century.

As the capital of British Ceylon, Colombo also acquired administrative functions, but these were largely an adjunct of trade, rose and fell with it, and were never very extensive. Ceylon's total population did not reach one million until about 1830 and was still only about six and a half million in 1946. Independence found the wealth and people of the country heavily concentrated in the plantations and rice fields of the wet zone, and Colombo the only city over 65,000 and the only well-equipped port (aside from the naval base at Trincomalee). Some sentiment was expressed at the time of the 1952 elections in favour of moving the capital to Kandy; if the Kandy period of Ceylon history had been more glorious the suggestion might have been given more attention, although it was a typical and understandable reaction of a newly independent country against perhaps the most foreign (Western) of all the colonial ports in Asia. Kandy cultivates its role as the spiritual capital of hill, rural, and Buddhist Ceylon, and the new prime minister, S.W. R.D. Bandaranaike, made a formal point of visiting it immediately after his election in 1956 and before he had officially taken up his full duties in Colombo. There has also been talk of changing Colombo's name to Kelanitota ("fort on the Kelani"), said to have been its original pre-Portuguese name, but there seems no likelihood of any locational shift, and indeed no rational basis for one. Ceylon is too small for centrality to be critically important, and the island's human center of gravity is in Colombo and its wet zone hinterland in any case. For good or ill, the impact of the West over four and a half centuries has remade Ceylon's economic geography; under this impact, Ceylon's distinctive ancient culture has also weakened to a greater extent than in any of the other Asian countries except the Philippines, leaving few strong ties to sites, areas, or systems outside the world dominated by Colombo. Contemporary Ceylon exhibits the usual anxiety to reassert its national distinctiveness, but this is far more likely to be expressed through efforts like the Buddhist revival and the adoption of Singhalese as the official language (despite the continued dominance of English among the educated groups) than through a shift of the capital in the absence of viable or compelling alternatives.

Independence has as usual brought an accelerated growth of the capital, although the earlier rate had also been rapid; the 1946 population total was over four times the figure for 1881 at the beginning of the plantation boom. This reasonably well paralleled the population increase for the island as a whole, as well as the growth of trade which was Colombo's basis. Since independence the city has increased even more rapidly, and faster than the national population which has itself one of the highest growth rates in the world.[11] The speed-up in Colombo's growth since 1946 is due to increased administrative functions in an independent country rather than to increases in trade, which has grown more slowly. Air travel, which means that Ceylon is no longer on the direct East-West route, has made little difference, but Colombo like all the other new capitals is overcrowded and housing is scarce. The city is continuing to expand southward along the ocean front since northward and landward are the river or marsh barriers which, with the original

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11. For a further analysis, see Department of Census and Statistics, Demographic Study of the City of Colombo (Monograph No. 2), Colombo, 1954.

harbour, were part of the site's attraction for the early foreign settlers. The old city (including what is still called "Old Moor Street") is confined to a low hill fortuitously next to the harbour and originally walled to increase the protection offered by marshes, tidal creeks, and artificial lakes and canals across all the landward approaches. A new bridge across the Kelani Ganga to the north may soon be accompanied by residential spread in that direction. However, even with its rapid population growth, which may reach ten million by 1960, Ceylon is a small country by Asian standards; Colombo's size and Colombo's anomalies as a newly independent capital will remain proportional to its national base, and the major problem is likely to be Ceylonization of this essentially Western city, where independent government has now been added to trade.

Rangoon, like Bangkok, existed as a town before the foreigners appeared on the scene, but it is nevertheless recent, and its major growth and present nature are largely the products of British enterprise and control. It was developed as a river-mouth seaport to serve the export trade in rice, petroleum, and tropical hardwoods on which Burma's commercial economy was based as the result of British occupation and investments, especially after the opening of the Suez Canal in 1869. Like Ceylon, Burma's ancient center had been in its central dry zone, in the Pagan area, but the old civilization collapsed about the same time as Ceylon's, and the main center later shifted to the wet zone of lower Burma and the delta of the Irrawaddy. For a time the capital was at Pegu, about fifty miles northeast of Rangoon, and for a time at Ava near Pegu, but Rangoon, the obvious service center for overseas trade, remained a very small place until the end of the Eighteenth Century,[12] although it had been the minor town and religious center of Dagon since about the Fourteenth Century by virtue of the huge Shwedagon pagoda, still Rangoon's major landmark and tourist attraction. The Portuguese and later the British established their first trading factories at Syriam, now part of modern Rangoon but then a separate small town on the opposite (east) side of the small Pegu River where it joins the Rangoon River. Syriam was more exposed to raids from the area east of the Pegu, and by the Nineteenth Century, silting in the Pegu increasingly made the Rangoon River the master stream; accordingly Rangoon, originally in part a Burmese counter to foreign-dominated Syriam (see note 12), became the chief foreign center as well, and the British colonial capital, although characteristically it had never been a capital before the colonial period.

The British occupation of Lower Burma after the Anglo-Burmese wars of 1826 and 1852 was followed by a rapid agricultural and commercial development of the delta region, later accelerated by the occupation of Upper Burma after the third Anglo-Burmese war of 1885. The Irrawaddy delta had been sparsely settled before the Eighteenth Century, but it now became one of the great rice-producing areas of Asia, exporting large and growing amounts to rice-deficient Bengal, Malaya, and Ceylon. Rangoon was the commercial and service center for this enormous and rapid new development, handled the new trade (including the milling of the rice), and also handled and milled the growing exports of teak and refined and shipped the petroleum discovered in the central dry zone, fortunately near the Irrawaddy. The city lies 21 miles from the sea on one of the Irrawaddy distributary mouths, the Rangoon River, where like so many other delta cities

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12. Its importance is most conveniently dated from its re-building by Alompra in 1753, when it was for the first time named Yangon (Anglicized to Rangoon), meaning "the end of strife," an over-optimistic christening even into the period of British control.

(Calcutta, Shanghai, Karachi, Rotterdam, Saigon) it avoids some of the silting and the strong currents of the main stream, but where it also commands access to almost the whole of the productive part of the country. The Irrawaddy and its tributaries drain nearly all of lowland Burma, and provide the only easy internal route, navigable for large river streamers as far as Mandalay and commercially navigable for about 900 miles from the sea, though a canal is necessary to maintain full navigability between Rangoon and the main stream of the Irrawaddy. Rangoon automatically dominated Burma's trade as well as what manufacturing or processing developed; it has consistently accounted for between 80 and 90 per cent of Burma's maritime commerce since the British occupation of Lower Burma. In less than fifty years Rangoon became the third largest seaport in the Indian Empire, after Calcutta and Bombay, though it later yielded third place to Karachi by a slight margin and has never quite equalled the volume of Colombo, which profits from its position on the major sea route between Europe and the Far East and Australia. Like the other colonial areas, Burma's was predominantly an export trade, a drainage economy oriented to the West which neatly extended abroad the internal river drainage focussed on the colonial port. Rangoon became and remains the only real city in Burma; its closest rival, Mandalay, has never exceeded 200,000.

Despite its peripheral location, Rangoon has the advantage of close relation to modern Burma's major population concentration and most important economic area, in the delta. But Burma has a special problem, shared to an even greater extent by Indonesia, of a plural society which is regionally expressed. Rangoon rose as the capital of Lower Burma but became and remains the capital also of Upper Burma, including the hill and mountain areas inhibited by groups which are ethnically, linguistically, and culturally different; the Shans, Karens, and Kachins most importantly, with other smaller groups in the outer mountain fringes toward India, China, and Thailand, and in the difficult rain-forest country of the Arakan and Tenasserim coasts. This was only a minor problem under the foreign rule of the British, but with independence it exploded into civil war, against an indigenous Burmese government which presumed to rule the whole of the country from a capital which was not only grossly eccentric but was part of the delta region whose people and culture were regarded as alien. Partly this tension is the old rivalry between hill and plain familiar all over the world, but it is also the result of national independence inheriting a capital which had grown up as a colonial commercial city and which was poorly located for its new national job of administration. The civil war is over, but Burma's dilemma is typical of most of the other countries of southeast Asia: only one city is big enough or has the physical and communication facilities to serve as a capital, but that city lies on the outer margins of the country and is not well suited by its historical developmnet or by its location to govern the country. In Burma, Mandalay, which was briefly the capital during the Pagan period and again for a few years in the mid-nineteenth Century, has been suggested as the modern capital; it is in the dry zone, and almost exactly central, but still relatively small and with no other advantages than centrality and tradition; it would replace Rangoon only as a desperate compromise measure toward internal peace, and in fact for much of the time since the end of World War II its surface communications with Rangoon and the outside world have been interfered with by insurgent operations. Burma's historical ties with its dry zone do contrast with Rangoon as a modern and essentially a Western creation, which until recently was not a Burmese city even in the important matter of its inhabitants--and most of them were migratory labourers or temporary entrepreneurs rather than lifetime residents. The delta area as a whole was until the second half of the Nineteenth Century an unimportant part of Burma and it has little cultural or historic continuity with Burmese national life, especially since

Indian labourers and Indian and Western entrepreneurs have been so prominent in its modern development.

Since 1947 Rangoon has not grown as much as the other new capitals, betraying its original and still dominant commercial basis. Growth has been slow despite the new demands of administration because civil unrest and depleted government finances have slowed the economic recovery of the country, including the restoration of its normal transport lines. Rangoon's transshipping and processing industries have not fully replaced war damages and inevitably suffer from disorder in the areas where their commodities or raw materials are produced or transported. Sawmilling, the leading manufacturing industry after rice milling, is working in 1956 at only about half of its 1940 level. Communist bands are still in 1956 attacking trains and raiding settlements, occasionally even in the Rangoon area. Traffic on the Irrawaddy has not returned to normal, and the extensive destruction of rail facilities during the second world war has not yet been made entirely good. Dock and storage facilities for the port have also not been entirely replaced. A bridge across the Rangoon River, planned for many years, has not yet been built due to the shortage of funds and the unsettled condition of the area across the river, where insurgents still occasionally operate. Aside from the small shipyards and some rice mills, the city is confined to the northeast bank, although it has spread freely across the much smaller Pegu. Exports of rice (partly but not entirely due to the rapidly increasing population of Burma), petroleum, and wood have not nearly recovered their pre-war levels; while this is so, or until new commodities take their places, Rangoon cannot grow very fast on the single basis of administration in a still disordered country. Full restoration of civil order is now nearly accomplished, but for a country with an area larger than France and a 1956 population of about twenty millions, Rangoon at about 750,000 is a small capital, remembering that it is also the only major commercial center, port, and city, as well as the capital; it continues to handle over 80 per cent of Burmans external trade. There was a large emigration of Indian merchants and labourers from the city returning to India during the war and after Indian and Burmese independence, but this has been slightly overbalanced by an influx of Burmans. Until independence Brumans were a minority in their own capital, outnumbered by Indians and Chinese.[13] Rangoon is now a much more Burman city, but its further growth, and its firm establishment as the universal Burmese capital, await the full restoration of domestic order and economic vigour.

Bangkok belongs with the other capitals because the same essentially foreign processes have been at work in its growth and nature. It is also a new city, founded in 1759 after the old capital at Ayutha (1350-1767), about sixty miles to the North, had been destroyed by the Burmese invasion of 1767; Bangkok did not become the official capital until 1782, when it was still a small town or fort village, a refuge for the court from the Burmese military power.[14] Until the Thirteenth Century the capital had been in the far northern dry zone, the old kingdom of Haripunjaya, centered near modern Chiegmai, which was abandoned following the

13. In 1931, the last "normal" census year, there were 140,142 "Burmese and Indigenous" in Rangoon, 212,929 Indians, and 30,626 Chinese out of a Rangoon total of 400,415.

14. Before 1769 Bangkok was an insignificant place, and it did not become the capital in more than name until about 1790--see D.G.E. Hall, A History of Southeast Asia, London, 1955, pp. 389-402.

Thai and Shan invasions.[15] Settlement thereafter concentrated increasingly in the wet zone of lower Siam, but as in Burma, the logical commercial center for this area, on the Menam Chao Phya, was neglected until the eve of the Nineteenth Century. The commercial development of southeast Asia which followed drew Siam into world markets, with the additional stimulus of French, German, Chinese, and American investments in the export sector of the Siamese economy as part of the international rivalry over the country while it remained a tacit British sphere. Rice, rubber, and to a lesser extent tropical hardwoods, copper, and tin were the main commodities, all heavily concentrated in deltaic Siam or shipped and processed (including rice milling and sawmilling) in Bangkok as the only significant port and where they could most easily be assembled via the valley of the Menam Chao Phya and its tributaries. The eastern third of the country, a basin cut off from Bangkok by low hills, is drained by a Mekong tributary into Cambodia and what is now South Viet Nam; this is awkward for Thailand, but not as bad as it might be since little of the export commodities is produced there. The attenuated tail of Thailand down the Malay peninsula is relatively unproductive and sparsely settled to that the awkwardness of administering, serving, and defending it from Bangkok is not serious.

Commercialization in Thailand brought, especially to Bangkok, one of the country's current problems in the form of a great influx of Chinese, the traditional and universal middlemen, shop-keepers, and petty financiers of the eastern half of southeast Asia, as the Indians have been for Ceylon and Burma. An indigenous people unused to commerce, and in many cases uninterested, allowed their rapidly developing economy to remain almost entirely in European hands at the top level and Chinese at all other levels, although some of the Chinese were also large investors and owners. Unlike the Europeans, most of them were permanent settlers, although they kept ties with China and remitted money to relatives there. Bangkok's population is slightly over half Chinese,[16] a unique situation for any national capital outside of Peking, though this compares with Indian-dominated Rangoon before the last war and is outclassed by Singapore. Chinese dominance in Bangkok is a measure of the importance of trade to Bangkok's growth. With the population heavily concentrated in the delta, Bangkok's administrative job is largely a local one, but it has never been large in any case, and the post-war period has not seen any great increase in it. The city's rapid recent growth has been due mainly to commerical acceleration. Periforal location (if one forgets the southern tail) does not make Bangkok as awkward a capital as the others considered, given the delta's population and economic dominance within the country, and since there was never formal foreign control (although Siam and especially Bangkok were in effect a joint Sino-British colony) there is only minimal reaction against a capital which nevertheless owes its growth mainly to foreigners. There has been some feeling that the Chinese majority in Bangkok makes it an unsuitable capital, and various suggestions to substitute Ayuthya (in the indigenous tradition) or other more inland centers. Since the largest of them, Khon Kaen, is less than 180,000 (and is also in the eastern basin drained by the Mekong), Bangkok has in practice no serious rival which could ever threaten it as capital.

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15. For a suggested explanation of this parallel development in Siam, Burman Ceylon, and also Cambodia, see "The Ruin of Ancient Ceylon," cited in Note 10.

16. Mainly from Swatow, but including a small group of mixed Thai-Chinese.

Bangkok is about 25 miles from the head of the Gulf of Siam, and a bar at the river mouth denies entry to most ocean-going ships, but lighter facilities are reasonably well organized; a 26-foot channel to a new port just below Bangkok is now being worked on. But even without the channel Bangkok is still the only significant usable port in Thailand, and the inadequate harbour has not in the past greatly handicapped its growth; Thailand's rice, rubber, and timber exports were enough of an attraction to offset the inconveniences of the port. What little Colombo has lost as a result of air travel has been a more important factor in Bangkok, which is now on the main street of air traffic. Before the war it was an out-of-the-way place, with the important exception of trade. Now it hums with tourists who can see regal Siam preserved in the palaces and temples built since 1790, and is the premier air junction between Karachi and Tokyo. This has attracted a number of regional headquarters for international organizations: ECAFE, ICAO, UNICEF, FAO, and more recently SEATO; tourists, offices, and conferences (for which its south Asian centrality and air access make it a popular place) contribute significantly to the city's growth, and also to its cost of living, which is one of the highest in the world, at least for foreigners, according to the United Nations. Partly as a result of these changes, there has been some increase in Thailand's role in world affairs, which has in turn added something to Bangkok's size in terms of its political functions, and has strengthened its prestige as the capital. But the city's recent, like its past growth is due far more to trade and to the continuing rapid increase in the population of the country as a whole with the accompanying intensification of the economy. Thailand largely escaped both war damage and post-war disorder; its trade has continued to flourish, especially in rice (given greatly decreased or vanished exports from Burma and Viet Nam), and also in rubber. Economically it is well off by Asian standards, and all of these factors are reflected in the growth of its capital.

From its original protected nucleus within the loop of the river, Bangkok ha grown, largely since the first world war, in all directions. The river is not wide enough to be a major barrier, and with the building of a bridge across it in 1931 the slightly older town on the opposite bank (Dhonburi, which was the official capital from 1769 to 1782) has become in effect part of the city, although the largest growth has come away from the river to the east and along it to the north. The conurbation was about a million and a quarter in 1956, an increase of nearly half a million over the figure for 1937, and a very large city for a country of Thailand's area and population (now about 20 million), even though Bangkok's internal primacy is so great. As it has spread, it has also outgrown the original river orientation and the dense network of canals which cover a large area in the lower delta; with the river, they were the principal transport and communication lines even within the city until the advent of the automobile in the late 1920's. Many of the canals have been filled in and replaced by roads, but the daily chaotic traffic jam still await a more adequate and less haphazard road system, for a city which has long since passed the million mark and which incidentally seems to prefer big American cars. Many of the streets, even those which were not once canals, are still oriented to the original water routes, and congestion is especially severe in the old city within the river loop, where the pre-1930 buildings hug the stream and the canals which were their communication lines and where the street pattern is mainly a maze of small lanes leading to the river. The truncated and stagnant canals are prolific mosquito-breeders, but miraculously they are not malarial. Bangkok will be a pleasanter city when the planners have caught up with its growth.

Kuala Lumpur has been a city only since the second world war; it was a town of about 175,000 in 1948 when it was somewhat arbitrarily selected as the capital of the newly amalgamated Federated and Unfederated Malay States (i.e., all of

Malaya except Singapore). The choice was made because Kuala Lumpur happened to be the existing local administrative center with a reasonable site which was most nearly central and accessible within the populated and economically developed area of Malaya, still essentially the west coastal plain.[17] It is often called the "tin and rubber belt," and its exports (including copra and minor amounts of other commodities as well as rubber and tin) and imports move, mainly by sea, through Singapore, whose growth and fortunes depend on it and on the wider job of trans-shipping much of the trade of southeast Asia as a whole. Singapore has continued to handle about three-quarters of Malaya's imports, and about two-thirds of its exports, in keeping with the general import-export balance of most entrepots serving an area producing raw materials for export and with its own minor trade centers or ports. Kuala Lumpur thus has an almost exclusively political job, although it may add a somewhat larger commercial function through its association with Port Swettenham in future. It began about 1870 as a small mining camp near the center of the first major tin area to be developed (first because it was nearest to the sea and hence most accessible). From 1896 to 1948 it was the small-town capital of the four Federated Malay States, and to some degree also a central place for the surrounding tin and plantation areas; but although there was a tin rush (mainly Chinese) in the '70's and '80's, the town's population did not reach 100,000 until the late 1920's. The commercial development of Malaya is itself very recent, although Malacca (and later Penang) were earlier coastal trade centers for the Arabs, Portuguese, Dutch, and British, by virtue of their strategic position on the Straits for the trade between Asia and the West. But rubber, introduced from Brazil via London in 1877, was not an important crop in Malaya until about 1900. Tin was not mined commercially on a large scale until after 1890.[18] Kuala Lumpur did not exist until Chinese and Western entrepreneurs began to exploit the local tin, and it remained a small town; despite its dual function after 1898, the area and population it served were still modest.

Singapore, an island base and deep extensive island-shielded harbour at the tip of the peninsula stride the sea routes between East and West where it could easily serve by sea the trade generated in Malaya's coastal strip, was the obvious commercial center. Characteristically there was no city there before Westerners created one in 1819; it soon became overwhelmingly the largest city of Malaya, and is now just about one million. It grew up, in numbers and in its economy, well before the rest of the peninsula because, as the successor to Malacca and Penang, it handled the trade of earlier-developed southeast Asia at a time when Malaya was not yet occupied by the British and was largelyundeveloped commercially. This earlier growth, the fact that it is an island, and the fact that it is largely a Chinese city (about 80 per cent of the population is Chinese, again betraying its solely commercial basis) are responsible for its political separateness from Malaya, maintained from the beginning. At present writing it seems likely that when Malaya receives its independence in 1957 and Singapore shortly follows, the two will pursue their separate ways at least for a time. Singapore's orientation toward the whole of southeast Asia as much as or more than to Malaya is a further basis for political separateness; it might become a Hong Kong, an entrepot clearing house and free port for all of its very large commercial hinterland, unfettered by political or legal ties

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17. Another political advantage was that Kuala Lumpur was a new town and hence was not the seat of any of the Malay Sultans, so that it was not a traditional local focus.

18. For an account of this development, see D.G.E. Hall, op. cit., Chapter 29.

to a larger national base. Singapore has always been a free port, and it would suffer from any import or export restrictions or duties. However there are obvious advantages in amalgamation with Malaya, including free entry into its rapidly growing market for products of Singapore manufacturing, and it is generally assumed that if and when the specific political problems can be worked out, the two will merge. As elsewhere, the longer they remain apart as independent units the harder it will be to bring them together. Singapore is a big city by any standards, and will continue to grow as its trade hinderland grows with the over-alleconomic development of southeast Asia under independent governments, especially when a firm modus vivendi is worked out with Indonesia; Singapore has heretofore handled much of Indonesia's foreign trade, a matter which the independent Indonesian government would like to adjust to Indonesian interests. Since 1946, and like most centers of transit trade, processing (including the smelting of Indonesian tin ores as before the war) and manufacturing are becoming more important elements of Singapore's economy, as the domestic and nearby market grows, paralleling on a smaller scale (though for somewhat different reasons) the post-war industrial development of Hong Kong; but trade services (including finance and insurance) are still the city's dominant function.

As a cosmopolitan and wholly foreign-created trading city at the extreme tip of the peninsula, Singapore does not make a good Malayan capital despite its exaggerated urban dominance; but it would find it difficult to play second fiddle to Kuala Lumpur within a single national unit, and there are clear economic differences as well. An economy of plantations and mines has a different set of viewpoints on most economic and political matters from an economy based on trade services and incidental processing or manufacturing. It would be a gross exaggeration to compare them with the two sides in the American Civil War, but their differences may not be easy to resolve within a single national unit. Chinese dominance in Singapore makes a further problem in view of Malaya's troubles with domestic communism, which is almost entirely a Chinese movement, and of the understandable desire to make a truly Malayan state rather than one in which the Chinese by their numbers and their commanding economic position carve out an overseas province of their own. Singapore's foreign origin and strong foreign (or at best rootless) cultural and political atmosphere further disqualify it as a national capital. Kuala Lumpur at least has its major growth still to come under independence, and its colonial legacy simply in time or numbers is proportionately light, while Singapore is already before independence a big city and not really a Malayan one; its readjustment to Malay nationalism may follow independence, but it is bound to be difficult; too much is at stake.

Singapore is still the unofficial capital of the British colonial areas in southeast Asia (i.e., the seat of the High Commissioner for southeast Asia), the seat of the University of Malaya, the base for what remains of the British military and naval establishment in the Far East, and of course administers the island, but the government of Malaya is now and will after indpendence be carried on at Kuala Lumpur, whose population is already approaching half a million. Fortunately, it has plenty of space to grow in, a wide basin surrounded by hills, although it is not high enough to be much if any cooler than Singapore. It has had a degree of warning so that it could plan and build to some extent keeping pace wtth its very rapid growth. Kuala Lumpur's major growth however is still in the future, as it undertakes the job of independent government of a rapidly growing country. There has been no need until recently for any city other than Singapore; as the first of these to develop to substantial size (Georgetown on Penang Island has only recently reached 200,000), Kuala Lumpur may exhibit the familiar snow-ball type of growth characteristic of primate cities and especially of the colonial cities of southeast Asia, with

almost no domestic rivals. It may in time coalesce with Port Swettenham and produce a small scale analogue to Tokyo-Yokohama, with the opposite ends of the conurbation concentrated respectively on administration and trade. Port Swettenham will need heavy investment in its port facilities, as well as better bridges across the river dividing it from Kuala Lumpur if it is ever to be more than a minor shipping center, but it will never begin to rival Singapore in any case, even if Singapore remains outside the new Malaya. It will be interesting to see whether the future growth of Singapore and Kuala Lumpur suggests that dominant trade or dominant administration makes for greater urban size in this situation; despite the possible future contribution of Port Swettenham to Kuala Lumpur, the odds seem heavily to favour Singapore.

Djakarta began life about 1619 as the Dutch trading fort of Batavia; it was built beside the Jacatra River on the ruins of the older Javanese town of Sunda Kalappa (or Jacatra), which had been abandoned for some time, although the Portuguese had earlier tried to establish a fort and trading post there. The river is not navigable except for small boats for more than a few miles upstream from Djakarta, but the city has an adequate modern port and largely artificial harbour at the head of a large bay, periodically improved by breakwaters. It was partly the original harbour, now badly silted, which attracted the Dutch, but mainly the proximity of the site to the shipping lanes through the Sunda Strait, which has high strategic as well as commercial importance for most of southeast Asia. In addition to its commercial role, Batavia was one of the chief military control points of the Dutch empire in the East, together with Malacca, which the Dutch held until 1824. The map (Figure 1) makes these twin advantages of Batavia abundantly clear. The former Netherlands East Indies and the modern Republic of Indonesia comprise a vast and scattered area, never until the Dutch united under a single political control. It stretches for 3000 miles from east to west, and is cut up into five large islands Sumatra (Andalas) , Java, South Borneo (Kalimantan), Celebes (Sual Wesi), and Western New Guinea (Irian),[19] plus almost innumerable small islands. By far the most populous and productive of the lot is Java, fortunately near the center of the area as a whole, and with about 55 million out of the total Indonesian population of about 85 million, though it is only about one fifteenth of the total area of Indonesia. Dutch investment and commercial development were heavily concentrated on Java in a rich variety of plantation crops and mining enterprises: rubber, tea (replacing coffee after the coffee blight), quinine, kapok, oil palm, copra, sugar, tobacco, tropical hardwoods, petroleum, and manganese. Java's phenomenal population increase since 1815 is understandable in these terms, and its uniquely fertile volcanic soils plus an equatorial climate and Dutch-directed extensions of irrigation meant that despite its volume of exports Java was also able until recently to feed itself without large food imports. The export crops were also grown in Sumatra and in some of the other islands; petroleum on Sumatra and South Borneo and tin on Bangka and Billiton islands (between Sumatra and Borneo) were further major resources, but Batavia was near to them in both physical and economic distance, by sea, and Java was and remains the heart. Communications have necessarily been mainly maritime; Batavia had by far the best location from this point of view, and still has, even in purely domestic terms. But as with the other colonial areas, Batavia was the focus of a predominantly overseas orientation and the funnel through which Java's and Indonesia's rich economy was drained out to Europe.

19. New Indonesian names in parenthesis, although they are actually revivals of pre-colonial local names.

The city also served as the colonial capital, but its administrative functions were never very large. Given the size, population, and productivity of the area which it administered, it remained a remarkably small city until it was superseded by Djakarta. Dutch administration of the Indies was not highly centralized in Batavia, and commercial functions were shared to a degree with Surabaja and other lesser Indonesian ports, and to a larger degree with Singapore, which helps to account for Batavia's small size. When independence came in 1950 and Djakarta was made the national capital an extraordinarily large and rapid growth followed. Djakarta probably passed the three million mark in 1955, and is still growing. Population figures are uncertain in part because of the wide fringe of squatter and temporary settlements around the city merging almost imperceptibly into the countryside; in addition to the obvious problem of counting, it is seldom clear where the conurbation ends and rural Java begins. It is a sprawling city and fortunately has plenty of level land on which to expand, inland (south) from the port and toward higher ground away from marshy areas to the east and west whose early protection helped to attract the Dutch. However parts of the original site and of the southward extension are poorly drained; the Dutch built a great many drainage canals which are also used for transport, and the urban landscape has in parts a Dutch look. Much of the post-independence building during the population boom is of a makeshift sort, bamboo huts and shops which are still mushrooming; the basic administrative buildings are still seriously inadequate, and the shortage of hotels in particular is acute, so much so that guests are normally required to share even the smallest room; the hotels are the more crowded because they are used as residences by many people who cannot find other housing. The city gained numbers during and after the Pacific war as refugees from disorder in the countryside poured in, but the growth since independence is mainly administrative; external trade has remained relatively stable, and indeed Batavia was never so clearly the primate commercial center as the other new capitals and ex-colonial ports, but there is a small and continuing rise in manufacturing, for which Djakarta is by far the largest Indonesian center. Most of it, as under the Dutch, is the processing of agricultural products, especially margarine and soap, aside from the universal service industries and specialties like printing and publishing which are found in every capital, but there is some new growth in machine tools, rubber tires, fertilizers, transport equipment, and the assembly of imported cars. Manufacturing's share in the city's economy however remains small, and the great majority of its more than three million inhabitants are there because it is the capital rather than because it is a center of manufacturing or of foreign trade; as elsewhere, numbers breed numbers; petty retailing and services employ most of the working force.

Overcrowding in Djakarta is responsible for the rapid growth of nearby Bogor, formerly the Dutch hill station of Buitenzorg, about forty miles to the south in low hills, where the climate is slightly less hot and humid than in Djakarta. It is increasingly being used as a residential suburb of the capital, since it is only about an hour away by train or car, and there are also plans to put some of the government departments there, including the Department of Agriculture which is already established in Bogor. Bandung, further up in the hills to the southwest, also owes much of its recent growth to Djakarta's new capital functions, and has become a favourite spot for official and unofficial conferences, as well as being the seat of the University of Indonesia; its population reached one million by 1955, and it is also planned to put some of the capital functions there, including the Department of Defense. But both Bogor and Bandung were Dutch hill stations first, and Surabaja was developed almost entirely by the Dutch as a port and naval base. Djakarta, the only other real city in Java, was the seat of the Dutch governor of Central Java province, and before that the seat of the ranking Javanese sultan who

was the leading non-European political figure in Java and retained the substance of independent sovereignty over central Java well into the Nineteenth Century. This was in part the reason why Djokjakarta was selected as their capital by the Indonesians during their post-world War II struggle for full independence from the Dutch, and there was a considerable feeling in favour of leaving it the capital after 1950 since it had a much less foreign history and character than Batavia and a wholly indigenous origin. Batavia's locational advantages, beside the Sunda Strait and facing toward instead of away from the bulk of the country as a whole and its most productive areas, were too strong, and indeed were the reason why the Dutch selected it instead of Djokjakarta as their commercial and political capital. Djokjakarta's advantages of access were limited and it had never been a national rather than a regional capital; despite its centrality within Java it was not well placed as a trade center for the island, let alone the country as a whole, for which it would also be a most awkward administrative center. Batavia had the further attraction of the prestige which goes with size, and of its far easier and more developed connections with the rest of the world. A non-Javan capital would be unthinkable, on purely physical locational grounds as well as in terms of population, but in any case there are no Indonesian cities outside Java larger than 300,000. Java is small enough that Djakarta's eccentric position within it is not a great disadvantage, given the enveloping sea, and Indonesia is so huge and scattered that large areas of it must inevitably be remote from any single capital. The sea is isolating in one sense, as witness the variety of cultures within the country, but it is an ideal means of commercial communication for which Djakarta remains the obvious center as well as a reasonably central administrative point. Domestic air services have been rapidly developed and help to reduce the political liabilities inherent in such a scattered territory. Java will remain the dominant area of Indonesia; its chief city, built by colonial rulers because of its advantages of access but with a new name and a largely new population free of colonial overtones, is the natural capital. As it has grown at an almost breathtaking rate, it has become less and less Dutch (or Chinese, for they are here too) and more and more Indonesian.

Manila (the name is original Tagalog) was a trading city before the Spanish put a fort and trading center there in 1571, but it owed its origin to Arab and Chinese traders rather than to the Filipinos and was governed by a Mohammedan rajah when the Spanish arrived. The trade with China, for which Manila was an entrepot, was the basis of the original settlement, and of the Spanish interest in establishing their own post there shortly after they made their first settlement on Cebu in 1565. Manila promptly became the capital of Spanish Philippines, and the western terminus of the Manila galleons, which plied regularly between Acapulco and the Philippines carrying silver westbound to finance the purchases of tea, silk, and other Chinese and Philippine commodities which moved eastward for transshipment to Europe as well as westward around the Cape of Good Hope. The magnificent natural harbour in Manila Bay (improved by breakwaters built under the Americans against the heavy surf in the Bay) was its main attraction as a trade site, but it was also very well placed as an entrepot for the China trade, originating almost entirely from Canton. By the time of the American conquest in 1898, Manila was the only real city in the Philippines, and so it remains. There are still in effect three cities on this site: 1. the remains of the pre-Spanish settlement on the Bay (Tondo), largely still a settlement of fishermen, local tradespeople, and labourers; 2. the old walled Spanish city (Intramuros) near it on the Bay and unfortunately devastated in 1945; 3. the eastward (landward) and portside extensions of the modern city built under the Americans and since independence--altogether a neat spacial representation of Philippine history and the succession of foreign entrepreneurs.

The plain of Luzon, in the center of which Manila lies, is the only extensive area of level land in the Islands, which in any agricultural country means a virtual monopoly of dense population. Over half of the Philippine population lives within a radius of 100 miles from Manila. Of all the new capitals except Delhi, it is the most central within its national area and in this respect has the greatest advantage in discharging its new administrative job, for which it can thank Manila Bay's fortuitous centrality within the Islands, since the harbour was the basis of every settlement on that site and of its growth to the primate city. Manila's communications with the rest of the country, and even with much of Luzon, are of course by sea, but its problem is not nearly as great as Djakarta's; the area to be governed is smaller, more compact, and has its population even more heavily concentrated in one area on the premier island. Both Indonesia and the Philippines have for some years been attempting to re-settle farmers from overcrowded Java and the Luzon plain in the less developed and relatively empty outer parts of their respective countries,[20] but high birth rates are more than replacing the small number of emigrants. Recently discovered iron ore on Samar and Leyte Islands in the Philippines is more likely to be exported than to support local manufacturing, in the absence of coal or of a large enough domestic market, and no other city or area in the Philippines is likely to rival Manila and the plain of Luzon. Manila was well situated to collect and ship the domestic products on which the country's trade was based while it remained a colony: sugar, copra, abaca, tobacco, and tropical hardwoods; most of them were also processed to an extent in Manila, where they were easily and cheaply assembled by sea. Independence has not yet seen much change in this agricultural and commercial pattern, although sugar will soon lose to protected position on the American market and the Philippine economy would do well to adjust itself more than it has done to an independent viability, especially in truly competitive crops. But whatever changes of this sort may take place, Manila remains the logical trade and processing center, and capital.

Independence has brought the familiar rapid growth of the capital, enhanced by a very high growth rate for the country's population as a whole, although this is true of all of the newly independent Asian countries. Manila had passed the million mark by the Census of 1948, almost a doubling of the figure for 1939 despite the destructions and dislocations of the Pacific war, and the conurbation is now about 1.5 million. Its newer parts were built by the Americans outside the walled Spanish city on land reclaimed from the Bay in the port area, but the modern city is now spreading mainly eastward. Crowding, and inadequate government buildings in Manila, are responsible for the long-conceived plan for a new capital, Quezon City, about twenty miles east of the port in low hills. Unfortunately they are not high enough to effect the climate markedly, but there is more breeze than in low-lying Manila, where sensible temperatures are high the year round. Manuel Quezon was a Filipino patriot at the turn of the present century, but later became the first President of the Commonwealth of the Philippines in 1935; his name is a suitable symbol of Philippine nationalism. Filipinos have never been outnumbered in their own capital, and the American Exclusion Act kept down twentieth century Chinese immigration, though there has always been a sizeable Chinese group in Manila (about 50,000 in 1949--exact counts are difficult because of a misleading census categories) who tended to dominate the domestic trade and petty finance. Plans for the new capital were made even before World War II, partly with independence in mind since this had been fixed for 1946 by an agreement in 1934. Quezon City

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20. See Karl J. Pelzer, Pioneer Settlement In the Asiatic Tropics, New York, 1945.

was already a fair sized satellite town by 1941, with a population of about 40,000, but major work on the new government buildings there was not begun until after 1946. The seat of government was officially established in Quezon City by decree on July 17, 1948, but most government business is still done in Manila and most of the offices are still there. The new municipal area comprises thirty square miles, considerably more than Manila itself, and it is expected that the buildings will be complete and all the capital functions moved there by 1961. Apart from the obvious practical advantages, the shift is psychologically desirable despite the indigenous name of Manila; like Pakistan and Indonesia, the Philippines is fortunate in having a suitable site so near to the colonial capital that it loses few of the old site's advantages, particularly outstanding in the case of Manila in view of its new national role. Trade center and capital combine happily there, while eccentric location and original commercial specialization will continue to hamper most of the others as they try to adjust themselves away from their colonial origins and toward their very large modern political jobs.

In summary, each of the new capitals (except Delhi but including Calcutta) arose as colonial ports serving an essentially drainage trade with the West. Each was predominantly a trading city, and each was placed where it had maximum access to domestic productive areas on the one hand and to the sea lanes on the other. Each correspondingly sought a site near the mouth of the master stream in each country, or on the coast where it could most conveniently assemble domestic production from the chief areas and transship it to the West. These sites had in every case been neglected before foreigners implemented their inherent commercial advantages. The growth of each city was physically oriented to the water or took place along it, and each has corresponding modern site and building problems. Water barriers were also important as protection in the early rise of each, emphasizing their alien nature. Orientation to river-mouth or sea made most of these cities grossly eccentric within each country. Their substantially or entirely foreign creation and nature further unsuited them to serve as independent national capitals, and their colonial origins presented a psychological problem, even through access to Western ideas and a cosmopolitan nature which goes with most trading cities made each of them the center of the nationalist movement and the institutional changes at work in the country as a whole. However each of them, as the chief or only centers of a newly-commercialized economy, rapidly became and still remains the largest, or the only real city in each country; their advantages of commercial access are alone sufficient to maintain their primacy. As the only big cities, they have prestige as capitals, plus the manifold practical conveniences which go with size. The colonial development of each country also tended to accentuate a clustering of the population in the environs of the colonial port and in its commercially tributary area. This makes each city less awkward as an administrative center despite its off-side location areally, since commercial access and political or administrative access can coincide to a considerable extent. With the exception of Calcutta, the colonial ports have all become the capitals of their newly-independent states, partly because of their advantages as outlined above, partly from the lack of any viable alternatives. As a result, all have grown even faster than before independence, and in half the cases have more than doubled in population since independence, making a set of current problems which is common to all of them, as their origin, nature, and growth are common. In every country there has been a movement to shift the capital to an indigenous inland site, in the national tradition and more nearly in the physical center of the country. Only in the case of Delhi has this succeeded, although new satellite towns are being developed as capitals in Pakistan and the Philippines, and an ex-colonial satellite town in Indonesia. Access and size are more important than physical centrality, even for an administrative center, under the circumstances. As capitals and as some of the world's big

cities, each is worth examining for itself, but the main objective of this article has been to show their remarkably similar origins, nature, growth, and current problems, the common economic and political developments which have underlain this similarity, and their present comparable positions as each makes of itself a national rather than a colonial phenomenon.

Rhoads Murphey

University of Washington

THE ROLE OF PERCEPTION IN URBAN-RURAL CHANGE: A BRAZILIAN CASE STUDY*

1. This paper is concerned with the central problem of a field study conducted over a one-year period in a municipio adjacent to the metropolis of Sao Paulo, Brazil. Stated simply, it consisted of an analysis of the perception of new opportunities occasioned by changing environmental situations: who were cognizant of them, in what ways their choice behavior was affected, and why. Theoretically it was expected that, other things being equal, the perception of available choice behavior would be directly affected at the socio-cultural level by what might be labelled status controls. By status controls in this context is meant the total range of committments and expectations which characterize the playing of social roles. They therefore set the limits to participation in group values, whether they be the ends which people seek or the means by which they seek them.[1] Role relations constitute a network of interrelated mutualities--of giving and receiving, of collaboration and compromise--and as such the interacting persons become committed to them in one degree or another. The longer a person has lived in a community, the more effective (i.e., the more strongly established) will be such controls, and the less likely is he to develop awareness of alternative patterns, even when the latter reinforce dominant values. Sinking roots, from this point of view, puts the blinkers a little closer to the side of the head. In stratified societies such as we find in southern Brazil latent antagonisms may threaten cleavage along lines of tension. If they do not, if available satisfactions outweigh the insecurities involved in pursuing new advantage, then long residence will ex hypothese significantly inhibit the extension of relationships to include those involved in new alternatives.

For purposes of the problem under investigation it was necessary to choose a region with certain properties. First, it had to exhibit a high degree of stability in terms of continuity and uninterrupted settlement. Second, the population elements should have consisted partly of dwellers whose ancestry in the area reaches back several generations, partly of recent migrants. And third, the modes of production and the hierarchy of shaping and sharing of values should have remained fairly constant over a relatively long period of time. The site chosen after a preliminary survey was selected with those considerations in mind. In addition, it was possible to control historically the installation of new communication facilities, with a consequent reorientation of alternative instrumental patterns for facilitating participation in the local value system.

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* The field work which formed the basis for this and related publications was undertaken during an eleven-month period between October, 1949 and September, 1950, with the aid of a Social Science Research Council Area fellowship.

1. Although developed quite independently, this conception is, I believe, essentially consistent with LaPiere's theory of social control, particularly his emphasis upon "status-group role" as the central characteristic of social control factors. See Richard T. LaPiere, A Theory of Social Control, New York, 1954.

2. Coketown[2] is located west-southwest of Sao Paulo, on the southern spur of the coastal range, 920 meters above sea level. It has a population of about 700, although the immediately adjacent territory which it services embraces perhaps another 1000 to 1500 inhabitants. The total population of the municipio lies between 13,000 and 14,000 inhabitants. The village itself has been continuously inhabited since pre-colonial times, when it was a native Guarani settlement. Despite some Indian genee, no physical evidence of the earlier population remains except place names and names for certain foods. The Portuguese occupied Coketown shortly after the conquest and the founding of Sao Paulo, since they considered it to be a strategic point of some importance for repelling attacks of hostile Indians marauding from the South. Together with other villages founded around Sao Paulo at various points, in the form of an arc, it was set up as much as a small fort as a Jesuit colony. Unfortunately documents referring to this period are scarce, but among the local inhabitants of today one still encounters the names of illustrious families of a former period.

Originally both the ecclesiastical and secular holdings were very large, as was the case elsewhere in the establishment of latifundia social systems in Latin America. Some of them were divided into lesser properties, but they were still of considerable size and cultivated by slaves. For some years the region apparently enjoyed a relatively high prosperity, but gradually it declined. Preoccupied with the problem of revitalizing this part of the interior, the imperial governor in 1827 invited the German government to send a group of skilled agriculturalists to develop the area, in the belief that a new and vigorous population would bring about the desired result. In that year about five hundred Prussian farmers disembarked at Santos, and immediately established a colony in the neighborhood of what is now the municipio seat. Their isolation and the unexpected difficulties of the region discouraged many of them after the lapse of ten or fifteen years; they dispersed to that they considered to be better regions. Of those who remained, many intermarried with the older residents, the Luso-brazilians and the mixed breeds, although others continued to marry and to procreate principally within their own group. At the present time many of their descendants make up part of the caipira (i.e., illiterate, rustic) element, being distinguished from other elements of the latter by the occasional appearance of a German name or by a higher than usual or chance incidence of blondism in this population. A small, more literage group, who live within the village, have apparently maintained their cohesion, and are distinguished both by their names--such as Weishaupt, Fisher, Cremm, Klein--and by the fact that they constitute most of the membership in the Evangelical (Methodist) church. A study of the ecological pattern of the cemetery reveals with astonishing faithfulness the population increments and their interaction from the days of the first German colonists to the present. In addition to the old Luso-brazilian, Indian-white mixed breeds, and Germans, the last fifty years have witnessed a certain influx of Spanish, Portuguese, Italians, Syrians, and Japanese, besides settlers from other parts of Brazil, especially from the northern and northeastern states. Each of the earliest ethnic groups occupies a separate fenced plot; those who immigrated four or five generations ago are separate but adjacent; and the most recent settlers have been buried at random, without any such nice discrimination. One of the interesting aspects of the cultre history of Coketown consists of the continuously

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2. This is the name I have given to the region and the municipal center, in view of its present dominant productive activities and in order to protect the privacy of its inhabitants. Municipios, in this region of Brazil at any rate, constitute the effective socio-political units, or units of interaction.

increasing rate of interaction among these groups, and the high degree of cultural dissemination and consequent sharing of Brazilian values--including valuation of status and class distinctions and ideological understandings about vertical movement.

A breakdown of the population in terms of ethnic background and length of residence yields the following picture:

Group (1)	descendants of early Luso-brazilian settlers	35%
Group (2)	descendants of early 19th century German settlers	10
Group (3)	native caipiras (rustics who have resided in the village or its environs for many generations	21
Group (4)	first and second generation Portuguese	6
Group (5)	Spanish immigrants	3
Group (6)	Italian first and second generations	8
Group (7)	first generation Syrians	5
Group (8)	first generation Japanese	1
Group (9)	first generation caipira settlers from northern and northern and northeastern Brazilian States (of the same socio-economic level in their regions of origin as those in group (3))	11
	Total:	100 %

Of these about seventy per cent of group (1), eighty per cent of group (2), forty per cent of group (4), seventy-five per cent of group (5), ninety per cent of group (6), one hundred per cent of group (7), and fifty per cent of group (9) are roughly equivalent in relation to the value of wealth. Their incomes ranged between 70,000 and 90,000 cruzeiros a year. By comparison, the landless caipira subsisted on a daily wage of thirty cruzeiros, when he worked, and earned no more than 11,000 cruzeiros annually. The income of the former families, derived from a combination of commerce and the production of charcoal, is between two and three times that of highly skilled artisans and a few office workers (who rank next), and four to five times that of semi-skilled and unskilled workmen, and a few small-scale farmers who rank lowest in relation to this value. None of the caipiras of local origin has even begun to rise to their level. The Japanese present a special case, and must be omitted from discussion at this time.

The new economic opportunities at Coketown, which have resulted in this rank-order distribution of population by wealth (and power), were created directly as a result of improved communication facilities and a consequent lessening of the time required to ply back and forth between the seat of the municipio and the urban center. In effect this meant that the radius of Sao Paulo, as a culture center, increased to a distance of about twenty five miles, and its stimuli became potentially operative within the region under consideration. These changes occurred about twelve years before the present study was undertaken. At that time a new road was constructed,

capable of supporting year-round vehicular travel (by car, bus, and truck), including a period of several months during which torrential rains had in an earlier day regularly washed out the pathways. Ox-drawn carts have now all but disappeared, and a person can make a round-trip in a matter of two hours instead of two days.

The technical and structural bases of the municipio, and of the village which is its seat, have also changed character within this period. Whereas in 1933 an historical resume of the municipio, undertaken by the local prefect, characterized the population as basically agricultural, a more extensive summary in response to a State survey some ten years later revealed that agriculture was in an extremely precarious state. From a position of near self-sufficiency and even of production of cereals for export, commercial relations with neighboring municipios were almost completely reversed in this respect. What is more, agricultural practices remained traditional in all but one segment of the population, and little or no advantage had been taken of information available through official channels about crop or soil improvements. Concomitantly, small scale extractive industries, particularly charcoal making, have conspicuously increased in output. Eucalyptus, which can be harvested about every four years, is planted for this purpose on land that might otherwise be used for cereal cultivation and truck gardening. From a production of 51,298 sacks of charcoal in 1935 output rose to 149,818 sacks in 1947, or roughly threefold with no significant increase in population. Demand from Sao Paulo, lowered costs and risks of transportation, and uncertainties of the market with respect to agricultural produce were the primary external motivating conditions for this shift in productive activities.

In addition to increased opportunities for improving one's advantage with respect to the value of wealth, alternative political activities and prevailing avenues for the achievement and sharing of powers were also expanded and widened.[3] The pursuit of power roles also involved an awareness of education and literacy as mediating values (only literate persons can vote and hold office). Finally, a regular public health officer was installed in the administrative center, and serviced to a lesser extent outlying sectors of the municipio as well. The three physicians who successively filled this position in the twelve years prior to 1950 were well trained at the University of Sao Paulo medical school, and challenged the position of local curers (curandeiros). The latter are part-time specialists, who heal primarily by massage and by the application of herbs whose efficacy is traditionally accepted in the region. Besides reporting deaths and contagious diseases and making surveys of general health conditions, the health officer may be called upon for medical services without fee by any registered resident.

In none of the above respects has the basic value system been altered, nor have actual changes effected been spectacular as far as this observer was able to discern.[4]

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3. This took the form of widening the membership base in political organizations, and of making leadership functions within the clubs an important source of male prestige.

4. Fortunately a study of one other municipio in the same culture area had previously been completed and a second was nearly so (and has since been published). They differed from Coketown largely in degree of isolation, hence self-sufficiency, and are also predominantly agricultural in character. Although data from these communities were not secured from the same theoretical point of view, they provided useful controls for the present investigations, and their availability was an important consideration for the selection of the present site for study. See Emilio Willems, *Cunha: Tradicao e Transicao Em Uma Cultura*

3. The most clear-cut support for the hypothesis advanced in section (1) of this paper is secured from a comparison of rustics for many generations enmeshed in a special segment of the local culture and those who have more recently migrated from poorer and less favorable regions of Brazil. It must be taken simply as a matter of fact that rural illiterates, with the exception of isolated Indian groups, share to an extraordinary degree throughout this vast land common key values, type of social system, prestige and economic position in their place of origin, despite considerable regional trait variations in the country as a whole.[5] In no case did the migrants from the north begin in Coketown with more resources than did resident caipiras. In fact the latter in several instances did own property which they might have converted into capital resources. Nevertheless, within the space of a few years better than half of the northern emigrants had saved enough money to purchase a small shop or a little land (or both), which they continued to augment, harvest, plant with more trees, etc. Emphasis upon the subsidiary values of prudence and saving for the future in order to maximize a value which they had previously only weakly adopted or supported[6] stands out in considerable contrast either to their past behavior or to adjustment patterns of local rustics.

This observation cannot be attributed simply to differences in ability or in educational level. It is well accounted for, however, by the fact that they did not slip into a ready-made network of role relations with attendant behavioral requisites, pressures, and attractions. They had to remake their status in terms of a self-image severed from its traditional anchorage and from an image of themselves by others which did not automatically place them via family identification within a given status. They were thus in a position better to see and to pursue new advantage, than were long resident rustics whose world view was sharply delimited by convention.

That approximately half the newcomers did not fall into the category of successful participants was due partly to the fact that they simply were unable to acquire enough capital by the time of my visit to start on productive enterprises, and partly to the fact that they began in the capacity of unskilled workers, and probably never will be in a position to calculate to better advantage. It is significant, however, that almost without exception in these cases they express verbally much hostility to employers, a certain malaise, and often anxiety about their status obligations in several collectivities. The unskilled laborers, like others before them, will probably return in time to their places of origin.[7]

Rural do Brasil (Sao Paulo, 1948) and Donald Pierson, Cruz Das Almas: A Brazilian Village. Smithsonian Institute of Social Anthropology, Publication No. 12 (Washington, 1951).

5. See Donald Pierson and Mario Wagner Vieira da Cunha, "Research and Research Possibilities in Brazil, with Particular Reference to Culture and Culture Change," Acta Americana, V, Nos. 1-2 (1947); also James Watson, Way Station to Westernization: the Brazilian Caboclo. Brazil: Papers, Institute for Brazilian Studies, Vanderbilt University, Nashville, 1953.

6. In the organization of local value systems security, as indicated by status conformity, inevitably outranks all other goal values.

7. It is instructive to observe in this regard that five of the local caipiras, whom I knew had inherited well wooded land, had sold their holdings in recent years to others to exploit. They then turned about, and hired themselves out as laborers for the new owners. Looking at this behavior objectively from the point of view of the contemporary situation it was certainly irrational, but it was equally consistent with traditional perspectives and flowed quite naturally from existing value premises and organization.

The successful Brazilian rustic immigrant from the northeast came with minimal resources. At the time of the writer's visit they constituted twenty one families within the vila (administrative center), the heads of sixteen of which had arrived with wives and (in several cases) families. The remaining five married girls either in Coketown or its vicinity. Arriving with little else than a few items of personal property and a few cruzeiros cash derived from the sale of remaining possessions, nearly all of them had to seek conventional employment. About half of the employable males sought out agricultural work with which they were most familiar during the period of initial orientation. All of this group subsequently shifted to jobs on charcoal producing stands within a year. Like native residents they were attracted by the immediate gains of higher wages and steadier employment over agricultural labor, created by a more consistent rate paid for charcoal on the market and continuity of production over the year.

The remaining individuals worked primarily as employees in one shop or another, and a few as craftsmen (bricklayers, carpenters). Eleven young family heads of this group in the past ten yearswereable to find employment with previous northeast immigrants from the same districts as their own. None was able to open even a modest shop with his own resources until about two years after his arrival.[8] They fitted, therefore, into a category of landless peasants and semi-skilled craftsmen of general competence. Occupationally they fell into the same categories initially as native peasants and caipira townsmen, but in differing proportions. Moreover, none of the immigrants was financially able to buy land upon arrival.

Resident caipiras are to be found in a variety of unskilled and semi-skilled occupations. In the vila and immediately surrounding territory there are 188 families that fall into this category.[9] Of these the male heads and young men of working age[10] from ninety one, or roughly half, work at a variety of manual wage jobs for private individuals--as charcoal processors, loaders, and farm hands, principally. Another ten per cent work as hired hands in small enterprises within the village. Two rustics are shoe repairmen; another has become a barber in a rented shop, and seven are carpenters' apprentices. The opening and expansion of the bus line provided driver and conductor positions for eleven young men. In all about twenty families are represented in these occupations. The lowest paid workers are public employees--attendants of several public buildings, the street cleaner, and a corps of men who are shifted from one type of menial labor (viz., ditch digging) to another.

Finally, thirty two families still own small farms ranging from one to four

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8. Today five of these individuals both own and run a store as well as several hectares of land devoted to eucalyptus stands.

9. The most ready symbol by which caipiras can be distinguished from other elements in the population is their speech habits. These are closely correlated with house-type, costume, and food preferences. In short, there are a number of linked symbols which reflect a common cultural orientation in more central behavioral characteristics and patterns of social participation.

10. Age 13 or 14 generally marks the turning point in a young man's life, from this segment of the population. At that time he is expected to assume adult responsibilities in this respect. Many boys do some work on farms or in a part-time capacity as apprentices before this age, but they are not expected to do a full day's work as a grown man.

hectares in size. Only the four largest of these enable their owners to make a subsistence living raising maize, tomatoes, beans, and greens, a few pigs and chickens. The others must hire out for part of the year, usually on larger farms or in charcoal production. With the exception of the new bus employees all of the above occupations are traditional, and the former, while better paid than other laborers, have reached a plateau. They can look forward to no promotions within the company, for the few managerial positions are preempted by outsiders from Sao Paulo.

The observed differences in degree of "success" among immigrant rustics appears to have consisted in large measure in the fact that some individuals were more fortunate than others in their first employment opportunities. The subsequently more successfulmanaged, on the one hand, to secure jobs with larger, more productive local farmers and charcoal producing entrepreneurs or with prominent shopkeepers. On the other hand, a smaller number also managed to get most of the semi-skilled positions as apprentices or assistants to craftsmen in the region. The latter--viz., builders, masons, bricklayers, construction outfits--were rather few in number, and offered continuous and well paid employment, by comparative standards. With diligence and will persons in both these categories had some opportunity to save.

The remaining families were not only economically less well off in these respects than other newcomers, but were also at a disadvantage compared to those local peasants and townsmen who either owned land or shared with the more favored immigrants in better paid wage labor.

Besides these early differences in occupational opportunities a number of immigrant rustics were handicapped by reason of their age and lesser skills of aptitude. Men over forty-five, it appeared, found it almost impossible to qualify for the more arduous work of cutting trees, preparing and hauling charcoal. They were similarly at a disadvantage with younger more vigorous men in hard seasonal agricultural labor. Native peasants of the same age, on the other hand, were established in one way or another if their health were good. Finally, it should be pointed out that there were differences in the general and skilled aptitudes among arriving persons. Those in a position to hire commented upon this fact, as did a few of the more disillusioned seeking positions. Three men in their early thirties, whom the writer interviewed, had not learned the varied tool skills nearly with the same efficiency as had others of their countrymen, nor did they work with the same speed or coordination. Where competition for journeymen positions or as artisan employees was keen and limited they stood to lose out.

These were the conditioning factors which, at least from the writer's observations, lay behind the differential opportunities for capital accumulation or exercise of more remunerative skills.

Aptitudes were in part related to personality differences which, unfortunately, were all too little explored in this study. Inasmuch as emigration was occasioned principally by periodic extensive drought with consequent crop failures and stock depletion it involved very nearly a random sample of the population (particularly among males). It was to be expected, therefore, that differences among them would be illustrative of the population(s) from which they came. Family structure, interaction patterns, values and orientations are very similar over the broad area, but there are variations in character--in executive capacity, ego stability or defensiveness, and decision-making ability, for example--associated with such things as rank in the sibling order, size of family, health and life span of parents, and of native

endowment. In the absence of specific investigations of such processes in any of the localities of origin, we can only suggest differentiating sources of personality types as indicated from the backgrounds of individuals who have settled and remained in their new homes. It should be pointed out, also, that a certain percentage of unsuccessful migrants do not sink roots, but return home after a period of time.[11] Some of the persons (and families) who fall into the category of relatively unsuccessful might well take this course of action in the near future.

4. Robert Redfield has made a very nice distinction between broad types of relationship or interaction patterns, which encapsulates to a large extent much of the behavioral differences between resident and newly migrant rustics. One set of behaviors he links with an orientation to life expectations, as opposed to another which he associates with aspirations.[12] The caipira in his local habitat--regardless of occupation, whether he be a town-dweller or peasant farmer--comes to be enshrouded with a cloak of expectations about and from others, as well as a self-image of his relationship towards them. Like peasants in other parts of the world they do not pursue their livelihood as a business. Productive activities help to support social ends, and the latter are a major incentive to work and its immediate rewards.

Native rustics in the Sao Paulo region enter into three basic kinds of relationships that consume the major portion of their non-productive energies. More than that they shape in important ways the very character of productive activities. These relationships are associated with: (1) family, extended kindred and godparenthood; (2) friendship; and (3) recreation. The last of these, recreation, is partly bound up with the first and second and partly with community activities or local ties.

Every individual is expected to contribute toward family support. A young man before he marries, but after he begins to work, with few exceptions pools his earnings with the meagre family coffers. They are partly used for common needs, partly set aside (when possible) for the contingencies of future marriage. Besides that, both services and resources must be made available for kinship events or emergencies, such as baptisms, marriages, deaths, or even harvesting when requested by close cousins and uncles. Co-parenthood and god-parenthood ties are seriously entered into, and frequently involve real obligations. At all events compadres chosen especially at baptism experience an onus of responsibilities for the welfare of dependent god-children upon the death of parents. In twelve cases with which the writer was familiar a considerable drain was put upon the slender resources of the parent surrogates. In all but one of these, however, they were met and discharged faithfully over a period of several years. As one of them put it:

> His [the godchild's] care is something I can barely manage, but what if God had willed such a fate on one of my children!

During the writer's stay no persons were talked about as failing to live up to their obligations in this respect. A few, however, were named from a former generation, or since moved to a neighborhood district, who had been remiss. The kind of censure

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11. It is difficult to estimate the proportion of such returnees, but it might amount to as much as fifteen or twenty per cent of the total.

12. R. Redfield, The Little Community (Chicago, 1955).

indicated that anyone who failed to be sensitive to such pressures would be made to feel extremely uncomfortable.

Role relations in the deeply rooted Brazilian family (rustic or urban aristocratic for that matter) differ from our own, aside from content, not simply in the sets of behavioral expectations, as in their continuity over the lifetime of three-quarters of the individuals being considered. The extensions of co-parenthood further complicate and ramify one's readiness to contribute, to respond. The economic element of behavior, as regards exploration of certain means for private gain, tends to be continually subordinated to this non-economic end. Being important to the functioning of the group it is not surprising that the moral aspects of childhood training aim to channelize choices along these lines in such a way as to build desired responses into future role playing. As soon as a youngster can be expected to understand or discriminate at all--really before that time, by the second year of his life--he is gently but persistently indoctrinated into small family duties, accompanied by familiar words of approval or disapproval. This is otherwise a period of considerable indulgence; yet respectful behavior towards godparents is already associated with explanations of what the godchild and godparent mean to one another. Tagging beside their fathers, little boys of three and four may visit the former's maternal cousin on some kin-designated mission. And he or his little sister will be assigned some meaningful task at one of the _rites de passage_ for a close kinsman.

The expression of friendship makes further demands (taking the outsider's view) upon a person's time. Friend relations are primarily male oriented, visiting among women being largely confined to kinsmen and _comadres_. Nevertheless, friends even among men are few but important. The relationship is patterned after that of generation mates among kinsmen. It is spontaneous and intimate, and may involve mutual aid. Being voluntary, however, it can be broken, especially where it has not been tested or ritualized rather early, as when young boys carry out respective family duties together. Friendships, as among ourselves, may be started in school among villagers. They then stand a better chance for enduring by virtue of common residence over individuals' lifetimes.

The most frequent relations shared between friends center upon recreation, the daily form of which is small talk in the village bars, supplemented by occasional dances and even club activities. But men of all ages congregate frequently at the bars, where they drink coffee, _pinga_ (sugar brandy), and occasionally eat lunches together--in the early morning, after dinner, and during much of the days when heavy rains make it impossible to work in the eucalyptus stands or in the fields. The bars, in fact, tend to differentiate among ranked members of the community, so that they are the one place where _caipiras_ of varying Brazilian backgrounds regularly congregate. Casual talk may engage a group of several men, common problems may be aired by two or more friends, or almost any commonplace event invested with a note of dramatic interest. In time the successful rustics begin to spend more of their time at the upper status bars, and less time there in general.

Men who live in neighboring locales sometimes strike up a friendship by meeting on the job in the country. Charcoal making in particular tends to separate a man from his family for several days at a time, and close contacts may ripen into friendship on such occasions. This is especially true of young boys in their teens, shortly after a sharp break in parental responsibility and indulgence. Ties created at this time are reinforced by visiting and short trips, or on fishing and rabbit hunting jaunts.

Recreation patterns also involve community responsibilities and expectations.

The most important of these are Saints' day festivals and Carnaval. Rustics rarely undertake any real responsibility for these affairs, because it is costly to do so. They do constitute important periods for display, for good eating, and for general merrymaking. However limited one's stock of material things or of money might be, he is expected (and indeed wants) to use or display them on these occasions. A young man living with his family before marriage will likely have as much as half his earnings consumed over the course of a round of festivals. While there are regularly expressed rebellious attitudes toward parental control and family demands on the part of young men, they were never in my experience stated in this context. Quite the contrary. Younger and older adults alike concurred in the value of frequent daily sacrifice (the larder might suffer more than usual) for the relatively excessive expenditures over the holiday season. The season is long and the events are numerous. This attitude is paralleled among e.g., young recently proletarianized urban workers, who will pour their small annual savings (accumulated at considerable sacrifice) into costumes and other expenditures at carnaval time.

This review of the major forms of social alignment, interaction, and the motivations which support them among native-born rustics would have a similar counterpart among immigrant peasants in their places of upbringing. The transmission of values and conceptions of morality placed heavy emphasis upon a certain level, a plateau, of performance--living up to deeply and commonly felt expectations which were seldom consciously expressed. No premium was put upon excellence, except as such behavior reflected those values and that morality. The results of productive activity and economic rewards were channeled into non-economic behavior, so that one had neither the time, nor the energy, nor the inclination to reflect upon possible other goals than those of his parents and generation mates. In this kind of a society one does not measure gains or satisfactions against losses and deprivations. He simply feels them. The discharge of obligations towards family, quasi-kinsmen, friends and community constitute at the same time a major source of personal satisfaction. At the very least one feels that other choices would weaken if not destroy the few emotionally rewarding features of the way of life which one comes to feel his natural due. In the place of progressive self-improvement, or perhaps survival on a more secure plane, the Brazilian peasant has built in to his patterns of choice behavior an image of mutual expectations between himself and others. This image furthermore is invested with moral sanction--"these ways are right"--and valued for its own sake. As such it competes with economic decisions regarding the allocation of time, services, and wealth.

Newly arrived rustics have broken by choice or necessity from this web of accepted social entanglements. They have grown up with none of the native residents, and therefore cannot take their behavior for granted. Those who can call upon their co-regionalists who have settled here previously or even a generation ago, will have an initial contact or two to guide them. Several of the new arrivals whom the writer encountered during his sojourn did just this. In such a position one might be taken into the home of an earlier settler to tide him over. If the latter were reasonably successful he might find his first employment here, modestly, as an assistant in a shop or a laborer in the field.

Most immigrants do not set out from their communities independently as individuals or as families. Usually they travel in small groups of two to four, and two brothers or close kinsmen are not uncommon. Their initial contacts are among themselves and those few villagers or country dwellers from whom they seek their first employment. Extensions of family are few until marriage, sometimes non-existent, but acquaintances and even a few friendships grow both on the job and during

festivals. By comparison with resident caipiras these too are very few in number, and come as a rule later in a person's life, thereby not creating so much of a variable demand upon one's sets of obligations.

A man's first task is to seek some means of livelihood. If he were a landed peasant he may have had some feeling for the land, but here he would have no committment to it. Farming is more a business than an occupation; more a means toward other ends than a way of life in itself. A number of rustics confessed their nostalgia for the homeland and their early loneliness born of the emotional isolation of the new environment. But they also devoted their energies, they aspired, to something different and better than what they had left. The following comment from a man in his mid-thirties, five years resident, married with two children, is typical:

> When I first came with my cousin I only knew João G., friend of an uncle who came here some time ago. He put us up, gave me a job, and introduced my cousin to Beraldo B. My family was in a bad way, and I missed them terribly. Also I had carried on with a girl back home, and didn't know what would come of that. We couldn't prepare for Divino do Espirito Santo [an important annual festival] or Carnaval or anything. There wasn't even enough to eat for all of us. Here the soil is good, there is plenty of rain. I also thought I might do well in town [he is now the proprietor of a mercea ria or supply store]. Someday soon I want to buy a portion of Fernando's land [F. is a native rustic with a medium sized holding], grow a few things for my use, and plant the rest to trees.

This man even today is responsible only to his family, and has a few meaningful neighborhood ties as well. His choice of godparents is instructive. At the time of his marriage and the birth of his children he had to approach new acquaintances or their friends and relatives. The choices were quite candidly made to enlarge his clientele and further business. He expects little else from them, and is quite satisfied with the relationship in that state. A similar attitude among other immigrant settlers is almost universal.

Individuals of this sort fit in slowly to sets of meaningful social relations. They have considerable latitude of choice with few fixed obligations, and are therefore likely to be particularly sensitive to economic considerations of promoting self-interests. Being new in the area they can do this with little or no censure. Making a living and promoting material security becomes an important goal in itself, not just a means toward the discharging and enjoyment of social ends. In time they establish more meaningful relationships with non-rustic townsfolk of their own achieved wealth rank, than they do with resident peasants. Where illiteracy is an impediment they can not run for office in the local and interesting Camara. But they can, and do, command an audience for their views at local Party meetings or at the homes of Party leaders.

Their outlook from the beginning is outward. If, as we have seen, they are not too handicapped by reasons mentioned earlier, they are prepared to see the range of objective opportunities in the new environment, and are minimally restricted by prescribed committments. "Handicapped" is perhaps the wrong word, for it implies a one-sided loss for native caipiras as compared with a unilateral gain for the immigrants. Actually in their world there are gains and losses on both sides. Being material, on the one hand, and emotional, on the other, it is not possible to equate them properly. We are justified, however, in speaking, as outsiders, of the handicaps of the long-term residents for participating in a local world of expanding economic choices.

5. An alternative hypothesis must be entertained at this point, namely, that migrants differ in significant ways from the general population which they leave. They are deviants, less satisfied than others with their general position, and by virtue of that fact itself might be expected to have weaker committments to the prevailing system of relationships and goal values of the group. Even if this were so it would only tend to support the inverse corollary proposition, that satisfaction with a limited cognitive field inhibits the perception of one's world in a dynamic sense. New opportunities, that is, can be seized only by a reorganization of choices, a re-evaluation of instrumental patterns, etc. Actually, Brazilians customarily move about a great deal. This is particularly true of hard-pressed rural inhabitants of the north and interior. As far as I was able to ascertain there was no special selection of these individuals--oldest sons, youngest sons, mal-contents. Periodically one or more members of a family will voluntarily decide to try his luck elsewhere to ease economic pressure on the rest. Migrants, therefore, probably represent a near random sample from the population at large. This point is very important to determine in characterizing the form of equilibrium which is approximated in rural Brazilian socio-political units. It admittedly needs and deserves special attention.

The same cannot be said of European immigrants without special study. That they were uprooted in the frame of reference adopted here is undeniable. Many or all of them, on the other hand, may well have come with self images and have encountered images of themselves by others which were considerably less at variance with one another than was true among native Brazilians at different class levels. It is interesting to note that descendants of early settlers (groups 1 and 2) among the literate segment of the community, who have always ranked high in relation to prestige, have also risen in large measure on the wealth scale. Members of this group have always been more knowledgeable about market relations in the city and of the value orientations of educated urbanites generally, despite the fact that they have not actively participated in them. In their own community they have also held a preponderance of leadership positions. They have at their disposal, perceptually speaking, important albeit latent instrumental patterns transcending local experience, added to the regular opportunity for making decisions and initiating interaction in their own community. The fact that they had land to convert from agriculture to extraction, or money to convert into land, was a necessary but by no means sufficient condition for the reorganization of choice behavior. As has been pointed out (see note 8 above), many of the local caipiras also had or have land, some of it better suited to the purpose (that is, already more densely wooded).

Changes in behavioral patterns related to health and political activities were found to co-vary similarly with the several categories of individuals considered. This entire configuration of events will be treated in another paper.

6. Summary and Conclusion. In this paper an attempt has been made to examine the relationship between one set of socio-cultural factors, the role network, and the reorganization of choice behavior. The assumption has been made that intervening between changes in environmental stimuli impinging upon the effective community, and in individuals, is a process of perception. Granting the importance of the psychological dimension of this process, our interest has centered rather upon its shared effects within the socio-political unit under investigation. Our central proposition, then, is that: other things being equal, the perception of available choice behavior will be directly affected at the socio-cultural level by status controls. These controls, moreover, vary in effectiveness with length of residence, or in other words with the frequency and duration of their operation. Examination of immigrant backgrounds tended to rule out the possibility that this category included a greater than chance proportion of especially innovative persons.

To the extent that these observations are valid, we may have the germs of a theory of stability of socio-cultural systems. Much discrete change can occur without significant alteration of the organizational properties of the system. But stability or continuity is the obverse of change, and can, in the writer's estimation, be best examined under conditions of stress or a proliferation of alternatives or of both.

Bernard J. Siegel

Stanford University

MYSORE VILLAGERS' VIEW OF CHANGE*

This paper discusses some major factors limiting change in an Indian village and some of their implications for India's program of developing all her villages. The first section discusses two major factors limiting the possibility of village-improvement in the Mysore village studied: the "ideal of village unity," and the presence of factionalism. The second section outlines the role of these factors in blocking the introduction of a school, while the third derives some "practical" implications of the foregoing.

The village to be described is Mórsralli, a community of 504 Kannada-speakers situated near the border of Madras State in the Bangalore District of Mysore. The eight castes which are represented in Morsralli include: cultivators, cowherds, shepherds, washermen, beggars, goldsmiths, barbers, and traders. Nearly three-fourths of the village's members belong to the main cultivator caste of Mysore State, the Vokkaliga. It is usual for the Vokkaligas to dominate the members of minority castes in villages of eastern Mysore, as they do in Morsralli, by means of their numerical and economic superiority in the village.[1] Morsralli typifies the agricultural villages of eastern Mysore not only by the fact of Vokkaliga dominance, but also by its size, which approaches the modal (500 persons) population for villages of the area.

I

The ideal of village unity emerges as an important element in the villagers' own interpretation of proposals for village improvement. Discussions of proposed changes in Morsralli frequently center in the problems of achieving the cooperation of the whole village-group in the project, and the real or assumed benefits which the project will bring to the village are not placed foremost in the discussion. The traditional procedure in implementing projects, such as the erection of a school-house, is by the assent of all (male) household heads, who meet formally in village assembly. After a unanimous vote in favor of a project, Morsralli's hereditary leaders customarily appoint a committee for the purpose of executing the project. The concept of a permanent development committee which could itself conceive and execute projects for the benefit of the village as a whole is not part of the village tradition, and, indeed, such a situation would place the traditional procedure back to front.

The meeting of the village assembly on December 7, 1953, illustrated the

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* This paper was read (in part) at the 1954 AAAS conference in Berkeley, California. The presentation was made possible by the Modern India Project of the University of California. The field-study was done by myself and my wife during the fifteen months we spent in Mysore on a Ford Foundation Fellowship.

1. Cf. M. N. Srinivas, "The Social System of a Mysore Village," Village India, M. Marriott, ed., Chicago, 1955, p. 18.

villagers' striving for unity in development efforts. This particular assembly was convened by the hereditary tax-collector, or patel, to discuss construction of a village school, for which government, under the existing legislation, had agreed to provide a salaried teacher. The meeting was begun and ended with exhortations from village leaders on the necessity of cooperation of every family in the project. The first speech of the evening began as follows: "Panchayet members who are meeting today at Morsralli . . . Honorable Members, we your 'boys' request in this conference, which shines like a sun [in the good faith of its members], to put aside your personal differences and mistakes, if any, and proceed with the main work." The final speech of this lengthy meeting was delivered by the patel, and he provided a climactic appeal to the ideal of village unity and to the necessity for cooperation of all members of the village in the project.

One of the chief tasks of Morsralli's hereditary leaders is the arbitration of disputes between members of the village-group in order to restore village unity. These judgments are rendered according to prevailing opinion in the matter and according to the analogy of similar cases which were successfully settled in the past. Unless outstanding disputes are first arbitrated, these hereditary leaders may be unable to organize the necessary cooperation for the semi-annual festivals of the village-goddess, for the annual cattle festival at Sankraanthi time, for marriages, or for cooperative agricultural work at harvest.

The ideal of village unity is in some senses an extension of the basic ideal of family unity, which Morsralli shares with the wider Indian society and with many other kinship-oriented societies. Conflicts and notorious examples of lack of cooperation in families and in village-groups are regarded as "shameful" in Morsralli. These two types of conflicts are regarded by villagers as sharing a common etiology. Intra-familial and intra-village disputes are commonly said to be due to age-grade conflicts, to embezzlement of group funds by the heads of families or village leaders, and to the machinations of men of "bad character." The existence of a village "father" and "mother" in the villagers' conceptions of the roles of the hereditary patel (tax-collector) and hereditary shambhog (tax-accountant), respectively, carries further the analogy of family and village in the minds of villagers. These two village officials are accorded respectful address, which parallels the respectful address required for elder relatives. Villagers also may show respect for the two officials by inviting them to special village functions, such as dramas; by ceremonial gifts of flowers, betel leaves and areca nuts, limes, milk and animals; and by cooperative village "honor" labor to assist the patel in the cultivation of his estate.

The recent growth of factionalism in Morsralli has made the securing of group cooperation increasingly difficult, in spite of the villagers' respect for the ideal of village unity. In 1945 Morsralli's traditional leaders organized cooperation for festivals and marriage celebrations against the refusal of a factional leader to co-operate in the village functions. But by 1953 the strength of factional leaders was sufficient to make the celebration of these occasions for display of village unity doubtful, if a particular faction leader refused to cooperate. The spring festival of the village goddess was celebrated in 1953 only after the hereditary ceremonial leaders resorted to trickery and to the false promise that the outstanding disputes would be heard and judged after the festival. Factional conflicts ultimately resulted in the failure of leaders to set the date for the spring village-goddess festival in 1954, so that this festival was omitted in the ceremonial cycle of this year.

One of the distinctive elements of faction in Mysore villages is their dependence upon men with wealth and with influence in local administration for their leadership

and continued functioning. Srinivas has said of Mysore that "Every village is divided into factions; and each faction is headed by a leader. These factions are preventing the working of the village as a unit."[2] In Morsralli the personal interests and personal disputes of factional leaders appear to dominate the arena of factional conflicts. Thus the incidents in the ten-year history of factional conflicts in this village chiefly illustrate personal grievances of factional leaders which were magnified into village-wide issues. The situation in Morsralli is not without its parallel in Kodagahalli (Rampura), the Mysore village Srinivas has described, where "Every rich man tries to 'invest in people,' so that he can on occasion turn his following to [personal] political or economic advantage."[3]

One factor which partly explains the recent increase in the importance of factional leadership in Morsralli is the increased availability of cash with which to hire local labor for agricultural operations formerly performed by village-group cooperative labor.[4] Morsralli's factional leaders are among the sixteen surplus grain-producers of the village who have been selling at black-market prices since the beginning of food-rationing in 1943. These surplus producers can, and do, carry on agricultural operations without the help of the village-group, and the village boycott is no longer an effective means of social control over these families. Thus, today there is no effective mechanism for forcing factional leaders to take a more complaisant view of their personal quarrels.

Another significant factor in the interpretation of factionalism in Mysore villages is the changing nature of the village-government relationship. In the 19th Century Morsralli, like many other Mysore villages, was primarily linked with government by its hereditary village revenue officials, patel and shambhog. These officers received no salary other than the payments in grain or free labor, which were contributed by the village-group, especially at the time of harvesting. Because of their dependence on payments by the villagers and on the cooperative labor of the whole group, 19th Century village officials attempted to minimize factional conflicts, and they had much to lose by supporting one group against another in the village. After 1898 in Morsralli's vicinity, a small government salary for village officers was substituted for the system of traditional payments in grain and free labor. As a result of this change, the village-groups no longer exert significant control over the village revenue officers who may support one or the other of the factional groups, or, not infrequently, may assume for themselves a position of factional leadership in the villages. Other changes in the structure of village-government relationships since 1900 have led to the greater use of discretionary authority by "township" administrators in the villages. Since interests of expediency often lead to their supporting one rival group and not another, this, too, has reduced the pressures for village unanimity. Even the presence of a government-appointed and government-salaried school teacher has tended to reduce village unity in Morsralli's vicinity, for there is competition among factional groups for the support of the village school-master. When data from sixteen villages of Morsralli's vicinity were analyzed, a positive association appeared between the number of years

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2. M.M. Srinivas, "The Social Structure of a Mysore Village," Economic Weekly, 3 (1951), 1056.

3. M.N. Srinivas, "The Social System of a Mysore Village," op. cit., p. 30.

4. A fuller description of these factors by the author is in "Changing Leadership of a Mysore Village," Unpublished Ph.D Dissertation, University of Chicago, 1956.

a government-salaried teacher had been provided for the village and the degree of factionalism, as measured by the presence or absence of village cooperation in marriage and festivals in each village.[5] These facts do not provide a final analysis of the nature of village factions, but they do suggest that one important locus of factors supporting village factionalism is the village-government relationship.

II

Factionalism appeared as a potent factor in blocking the introduction of a school in Morsralli. In October, 1953, the village hereditary chief, or gauda, selected a "development" committee, on the authority of a vote of the village-assembly, for the gathering of statistics on the number of school-age children and illiterate adults in the village. A second meeting of the village assembly convened on December 7, 1953, for the presentation of the school statistics and for enlistment of cooperation for building a school-house. However, the factional issue of the disappearance of village-funds which had been collected in 1953 for a "prayer house" project was raised in this meeting, and the school proceedings were halted. After much deliberation, the assembly decided that the missing funds should be produced at the next meeting and utilized in the rebuilding of the temple of maaramma, the village-goddess and protectress of Morsralli. Each family pledged that when the temple had been repaired, village labor would be contributed for the raising of a school as the next project. However, no one came forward with the missing funds on the date designated by the assembly, and the temple-school project was dropped by the village as a whole.

On the 28th of December, the "development" committee and two other interested villagers visited a Community Project center, having as their principal aim the viewing of agricultural improvements. The villagers toured the Project Villages for a day, and were shown propaganda films in the evening. A school, which was being constructed with village-labor in spite of the opposition of some members of this Project Village, was shown to the Morsralli visitors. While returning to Morsralli, the committee, which included the village chief and fourteen other members, decided to build a school solelywith their own contributed efforts. They argued that this departure from the tradition of achieving "good works" by the unified effort of the whole village had not occurred to them before, but that if success could be achieved in a Project Village, it could also be achieved in Morsralli.

The committee's decision to introduce a school to Morsralli may be partly explained in terms of the members' perception that change was possible without the cooperation of the whole village-group in Project Villages, but it also reflected a real change in outlook with respect to the desirability of school. The committeemen's attitude on the intrinsic usefulness of several types of village-improvement projects were sampled by means of fifteen multiple-choice questions, which they answered before and after their trip. The subject-matter of these questions covered possible improvements in education, farming methods, village industry, religious life, transport and "family planning." When the committee members responded to these questions after their trip, the expressions of opposition to the idea of introducing a school were

5. Biserial $\bar{r}$, an estimate of product moment $\bar{r}$ from data with one dichotomized variable and one graduated variable, was $+\bar{0}.45$. See Q. McNemar, Psychological Statistics, New York, 1949, pp. 170-2.

significantly fewer.[6] Thus it is reasonable to infer a change in the group's attitudes toward educational improvements, which was partly responsible for the committee's decision to build the village school.

The change in attitudes with respect to education was especially striking because the demonstrated improvements in Project Villages did not otherwise affect the committee's general outlook on change in their village. For example, the idea of farming improvements elicited favorable responses from the group both before and after the trip, while transport and village industries were unwanted improvements in the second as well as the first period of questioning. The case of farming improvements is unique, since innovations of this type were favored at all times over all other possible projects. But more of the agricultural improvements demonstrated in the Project Villages were said to be "useless" than were conceded to be desirable by the committee. Thus the idea of farming improvements continued to be popular among the committeemen after their trip, but the demonstrations did not increase their enthusiasm for improved agricultural methods and there was no determination to effect these improvements as a group-project.

The Morsralli "development" committee's decision to build a school with their own contributed efforts was not effective because the project became entangled in the network of factional allegiances which the village's principal factional leaders manipulate for their own ends. After the demonstration trip, the committeemen said that the main factional disputes in the village could be set aside, and that they could begin construction immediately. But the question of choosing a building site could not be resolved by the committee alone. The committee members who belonged to one powerful faction in the village chose a site for the school on the land of a leading member of an opposing faction. This man and his friends were also members of the committee, and they expressed a preference for a site in the street area where the leader of the other faction tethers his cows. No solution to the deadlock in the choice of the school-site could be found, and in March of 1954 the "development" committee dissolved its membership. The retiring members stated their belief that only if the outstanding disputes in the village were first arbitrated by the village's hereditary leaders could any village-improvement projects reach completion.

III

One "practical" implication of our survey of the factors limiting change in a Mysore village is that the element in the villagers' view of change which we have called the "ideal of village unity" is susceptible to important modifications. Consistent with their faith in this ideal, which is rooted in the analogy of family and village that exists in the minds of the villagers, the people of Morsralli have commonly considered the cooperation of every family-group to be necessary for effecting village improvements. But the demonstration of improvements in Community Project Villages impressed a few villagers--Morsralli's "development" committee--that the sponsorship of the whole village group was unnecessary in development efforts. The demonstrations witnessed by these committeemen also had the apparent effect of raising their appreciation of the intrinsic usefulness of a village school. These modifications in the ideal of village unity and in attitudes about education

6. The "t test" for means in the small sample situation revealed a difference significant at the P level of 0.01. The formula used was that in Q. McNemar, op. cit., pp. 225-226.

were stimulated by observation of improvements in Project Villages. More changes of this order in Morsralli can be expected as India's program for rural development expands to include more villages in Mysore.

Development efforts in Morsralli whether sponsored by village committees, or, more traditionally, by a village assembly that includes representatives from all the families, must contend in the future with factional rivalries similar to those which blocked the introduction of school in 1953-4. We may infer from the Morsralli case-example, then, that measures to alleviate factionalism will form an essential part of any effort to develop the village.

In recasting village-government relations in order to reduce factional conflicts, the abolition of hereditary village revenue officers, the patel and shambhog, would seem to be an essential first step. These village officials frequently rise to positions of factional leadership in villages, and, like other factional leaders, they may maintain groups of factional dependents with the hope of furthering their own personal interests. Or, if the village officers choose a more passive role, they may nevertheless be guided by expediency into supporting the interests of one faction against another. By such action, the village official frequently increases the bitterness of the original factional rivalry since the original issues are compounded with the additional issues arising from the "unjust" interference of higher authority. The Committee for the Revision of the Land Revenue System in Mysore argued in 1950 that the hereditary village officers "are mainly responsible for the factions in the villages," and that they are "really obstacles to the introduction of new schemes [for village uplift], though they may ostensibly support them, with a view to continue in office." The recommendation of this committee for the abolition of hereditary village offices deserves careful consideration as a suggestion which, when implemented, should facilitate rapid social and economic development of Mysore's villages.

William C. McCormack

Dharwar, India

THE POLITICAL ECONOMY OF PRIVATE INTERNATIONAL INVESTMENT*

I. Introduction

It is a widely accepted premise of current American foreign economic policy that principal reliance should be placed upon private investment as the main external source of long-term capital for economic development of underdeveloped areas, and that the United States Government should pursue policies to encourage a substantial increase in the outflow of such capital. The following comments are intended mainly as an "expression of some doubts" about this particular aspect of American foreign policy.

In the postwar developmental literature, both here and abroad, one generally finds considerable support for the view that private foreign capital has a major role to play in accelerating economic development of underdeveloped areas. Examples are often given of the importance of foreign capital in the development of, say, the United States in the 19th century and, more recently, of Canada. It is quite usual to find discussions of the fact that net new private foreign investment since the 1920's has been both limited in aggregate amount and has gone into only a few industries--and then commonly only on a direct investment basis--and into only a few areas, such as Canada and Latin America. Next, one typically finds a discussion of the "obstacle" to private foreign investment, including transfer difficulties, high profits on domestic investment in those countries that could be expected to be the major source of funds, and--this should be emphasized--"political instability" and risks of nationalization in potential capital importing countries. Discussion then shifts to ways in which the "obstacles" might be overcome --investment guarantees, tax relief, and so on. But one seldom finds anyone raising the question whether, from the standpoint of American national interest, an increase in private American investment abroad is in fact desirable at all.[1] Likewise one rarely finds in the postwar literature a direct discussion of the relationship between private American foreign investment and political developments in underdeveloped areas.[2]

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* A revised version of a paper presented to the Economics Section of the Michigan Academy of Arts and Sciences in March, 1955. I should like to acknowledge the helpful criticisms of my colleague, Professor David Felix.

1. The only American source in which I have found this question explicitly and directly raised is in N. S. Buchanan and H.S. Ellis, Approaches to Economic Development, New York, 1955, p. 349. The authors answer the question in the affirmative. Other writers deal with this problem in a more oblique manner, through a consideration of the limitations and disadvantages of private foreign investment to underdeveloped areas.

2. An outstanding exception is E. Staley, The Future of Underdeveloped Areas: The Political Implications of Economic Development, New York, 1954. See also W.Y. Elliott et al., The Political Economy of American Foreign Policy, New York, 1955 It should be obvious that this comment does not apply to the extensive pre-World War II literature on "dollar diplomacy" and related themes.

Assuming that there is a case for external capital assistance for the economic development of underdeveloped areas,[3] it is the thesis of this paper: (1) that there is by no means a clear and undisputed case for private foreign capital as the sole--or even the major--channel for external financing of economic development; and (2)--and this is the principal point--that current United States Government policy in somewhat indiscriminately promoting private American investment abroad, especially in underdeveloped areas, may turn out to have serious political disadvantages for the United States, and for the non-Communist world generally, more than offsetting the advantages, principally economic, which are claimed for it.

II. United States Government Policy

It is quite clear that official United States policy since World War II has placed a relatively high priority upon private foreign investment. Postwar economic planning in the United States, which began as early as 1942, had as a major premise a reconstructed world in which maximum opportunity was to be provided for private international trading and investment. American representatives pressed this view in international conferences, and clauses supporting private international investment may be found in the articles of agreement of the International Monetary Fund and the World Bank, the Bogota Agreement and the ill-fated Charter for an International Trade Organization. The postwar planners, of course, realized that government loans and grants would have to play a substantial role in the reconstruction period--and this culminated in 1948 in the European Recovery Program. With the revival of East-West hostilities an urgent need for military aid to friendly countries was felt, and E.R.P. was extended through the present Mutual Security Program. The major emphasis of these postwar programs has been on Europe; until quite recently--and apart from Japan and Formosa--there has been only incidental attention to the problems--largely economic--of the Middle East, East, South and South East Asia, Africa, and Latin America.

In January, 1949, President Truman announced as Point Four of his inaugural address a "bold new program" for making American scientific and technical advances available to underdeveloped areas. Point Four has come to be associated in people's minds with the provision of technical assistance directly by the United States Government; and this along with American support for the United Nations technical assistance program has in fact been its major consequence. It is less widely realized that the President made several references to Point Four to an enlarged role for private foreign capital in the economic development of underdeveloped areas. A definite increase in official attention to ways of promoting private American investment abroad may be noted from this time on. In 1950 the President proposed and Congress enacted a bill to launch an experimental program of guaranteeing private American investment abroad against expropriation, blocking of transfer of earnings and capital, etc. A modest program along these lines by the Economic Cooperation Administration and its successor agencies, recently widened in scope, has in fact achieved very little by way of concrete results. In the hearings on the Act for Economic Development of 1950--as the legislation implementing the Point Four program was called--a veritable army of witnesses, mostly governmental, spoke out strongly in favor of the view that principal reliance must be placed on private capital as the major source of external finance for underdeveloped areas; and many similar statements, several of which may be found in the State Department Bulletin,

3. We are not concerned here with the more general question of whether external assistance to underdeveloped areas in some form is or is not desirable.

have since been made by government officials on other occasions.

Reports of several advisory committees have also come out rather strongly for the view that private capital has a major role to play in U. S. foreign economic policy. This includes the Gray Report in late 1950 (Report to the President on Foreign Policies); the Rockefeller Report in 1951 (Partners in Progress); the Paley Report in 1952 (Report of the President's Materials Policy Commission; the Report of the Advisory Committee on Underdeveloped Areas to the Director for Mutual Security in May, 1953 (Economic Strength for the Free World); the Randall Report in January, 1954 (Report of the Commission on Foreign Economic Policy); and later in 1954 the Report of the Citizens Advisory Committee on Economic Development. The Mutual Security Act of 1951 directed that a study be made of obstacles to U. S. private investment abroad and of ways in which these obstacles might be overcome.

While the Democratic Administration certainly evinced strong interest in private American investment abroad, the Republican Administration has shown even greater partiality to private rather than public activity in this field. President Eisenhower has made some strong statements regarding the role of private foreign capital--and private enterprise generally--in economic development of underdeveloped areas, as evidenced by his message to Congress in February, 1953 and more recently on January 10, 1955; in October, 1952 August Maffry was appointed a special consultant to advise on ways of stimulating private investment abroad as an integral part of the Point Four Program;[4] consular officials and Point Four agents abroad have been directed to search out investment opportunities for American businessmen;[5] and the administration took steps in late February and early March, 1955 to convene an investment conference of U. S. and Latin American businessmen in New Orleans, to explore ways of increasing American private investment in Latin America.

As additional evidence of this new official assurance as to the role of private capital, we might cite an article by Harold Stassen then Director for Mutual Security, in the April, 1954 issue of Foreign Affairs. Mr. Stassen asserts as one of the several "axioms" of United States foreign economic policy that "in furtherance of a high level of international trade, no policy is of greater importance than the encouragement of sound private United States investment in those areas of the free world where it is most needed."[6] Mr. Stassen links "world peace and security" with "economic well being" and the latter with foreign private financing. "A satisfactory growth in industrial production in underdeveloped areas is impossible without a large import of private capital."[7] Eric Johnston, Chairman of the International

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4. State Department Bulletin, 27 (1952), 71.

5. Ibid., p. 782.

6. H. E. Stassen, "The Case for Private Investment Abroad," Foreign Affairs, 32 (1954), 402-3.

7. Ibid., pp. 406-7. The reason Mr. Stassen offers for this assertion is low level of saving in these areas; this is a reason for external financing, but not necessarily private financing. Mr. Stassen makes a passing reference to "inflamed national feelings" that will lead in some countries to hostilities towards the principle of development by private investment, but expresses the "hope" that these countries will realize that private investment is the "best, indeed the only means of supplying adequate funds. . . ." (pp. 413-14).

Development Advisory Board, which was set up under the Act for Economic Development, has also delivered a ringing speech regarding the role of private enterprise and private American capital in economic development of underdeveloped areas, in this case in connection with the Point Four program. "Private enterprise," he asserts, "is the very essence of the Point Four Idea."[8]

III. Some Economic Pros and Cons of Private Foreign Investment in Underdeveloped Areas

The official American policy on foreign investment represents the typical nonofficial viewpoint in the United States. What advantages are found for private foreign investment in underdeveloped areas by its proponents? The usual economic arguments, most of which may be found in United States Government sources,[9] can be listed as follows:

1. Economic advantages of private foreign investment to the capital importing country:

    (a) Such investment augments the foreign exchange reserves of the recipient country directly and indirectly.

    (b) Private capital is potentially available in larger amounts than public loans or grants.

    (c) Dividend remittances on equity investments (portfolio as well as direct) are a more flexible item in the balance of payments and hence are potentially less disruptive than fixed interest and amortization payments on government bonds.

    (d) Direct investments are likely to bring in one package, not only finance, but also managerial and technical skills, organization and enterprise, all of which are badly needed in underdeveloped areas.

    (e) Private foreign investment is an added tax source.

    (f) It supports subsidiary activity and enterprise and spreads skills.

    (g) It tends to increase purchasing power in recipient countries.

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8. "Breaking the Barriers to Investment Abroad," address by Eric Johnston to the Pacific Coast Conference on Private Investment in International Development, San Francisco, September 24, 1952, State Department Bulletin, 27 (1952), 539. Mr. Johnston assumes in this address that private enterprise is a necessary condition for successful economic development of backward areas.

9. For general discussions of a technical economic nature in official American sources see: W. Malenbaum, "America's Role in Economic Development Abroad," State Department Bulletin, 20 (1949), 371-4; W. Thorp, Address to the Economic and Social Council on July 21, 1949, "Economic Development of Underdeveloped Countries," ibid., 21 (1949), 170-5; I. Lubin, Statement to the United Nations General Assembly, Committee I (Economic and Financial), October 30, 1952, ibid., 27 (1952), 779-85.

2. Economic advantages to capital exporting countries, e.g., the United States:

   (a) Net new private foreign investment raises income at home directly and indirectly.

   (b) The need for government loans and grants is reduced.

   (c) Private direct investment capital will go primarily into raw material development for export to the United States, and thus helps meet the growing material requirements of American industry.

3. General economic advantages:

   (a) Private foreign investment contributes in the long-run to increased trade and prosperity through helping increase world productivity and incomes.

   (b) It increases the world supply of dollars, and hence promotes international monetary stability.

It is not the purpose of this paper to attempt a detailed "critique" of these arguments. But a few points on the negative side of the debate over the economic merits of private foreign investment may be noted. For the sake of brevity, only the alleged advantages to the capital importing countries will be discussed.

With respect to the assertedly favorable balance of payments effects in the capital importing country, it has been observed that private foreign investment shows marked variations over time, rising in periods of economic expansion and falling in periods of contraction, with a definite tendency to reinforce rather than dampen cyclical fluctuations in the balance of payments of many, if not most, underdeveloped countries. A counter to this argument is that, due to the vagaries of domestic politics and the shifting sands of foreign policy in capital exporting countries, governmental loans and grants are potentially as unstable as private international lending and investing, particularly if commitments are made only from year to year. So far, American foreign economic policy has not in fact shown very abrupt changes since World War II, even though it has shifted somewhat in content and direction; total loans and grants for example, have stayed in the neighborhood of $4-$6 billion since 1948. But that it may shift abruptly in the future is indeed a problem to be faced in choosing among alternative methods of external financing of economic development.

Secondly, although it is correct that dividend remittances based on earnings of private direct investment capital are a more flexible item in the balance of payments than government payments on fixed debt, the rates of return and remittances abroad are usually far higher than on public loans.[10] To the extent that earnings are ploughed back into the same or other ventures, the problem is eased. But the record indicates, for example, that remittances to the United States from Latin America have tended to exceed net new investment flows,[11] thus tending to augment, not reduce,

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10. United Nations, Department of Economic Affairs, Measures for the Economic Development of Underdeveloped Countries, New York, 1951, p. 19.

11. United Nations, Economic Commission for Latin America, International Cooperation in a Latin American Development Policy, New York, 1954, p. 17.

the payments problems of this area. While private capital may assist a country externally at critical times, it can add--and frequently has added--to payments problems.[12]

As regards the internal economic advantages of private foreign capital to underdeveloped areas, there are several criticisms that can be made. The undoubted fact that private foreign capital goes primarily into raw material exporting lines is often cited as evidence that it fosters an unbalanced development; that is, the benefits of rising income and activity do not spread--or do not spread enough--to other segments of the economy; what is required is "balanced growth" in all sectors. This so-called doctrine of "balanced growth" has important professional support--for example, from Prebisch of the Economic Commission for Latin America, Singer of the United Nations Department of Economic Affairs, Gadgil of India and--more qualifiedly--from Nurkse.[13] The argument is usually linked to the instability of the primary product export prices of these areas relative to their industrial import prices and to an alleged tendency towards a chronic adverse trend in their terms of trade. As regards India, Gadgil argues that an open field for private enterprise--domestic or foreign--means an open field for a limited group of financiers and industrialists, and that private enterprise is not free competitive enterprise. His is a socialist case against private enterprise in economic development, a case which is perhaps reinforced by United States Commerce Department data indicating that over 75 per cent of the net outflow of American direct investment capital in 1947 was accounted for by 10 of the approximately 2500 American companies with foreign branches and subsidiaries.[14] The percentage may be somewhat less today.

There is usually a great deal of stress upon the fact that private foreign direct investment capital brings with it managerial and technical skills. But governments and local businessmen in underdeveloped areas can--and in fact do--hire foreign experts-management consultants, engineering and construction firms, market analysts and various other specialists. Experience under the technical assistance programs of both the United States and the United Nations seems to support this contention.[15]

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12. It is not suggested, of course, that new foreign investment in a country and remittances abroad of income and capital are by themselves adequate measures of the total external "benefits" and "costs" of such capital to underdeveloped areas. See E. Domar, "The Effects of Foreign Investment on the Balance of Payments," American Economic Review, 40 (1950), 805-26 for a well-known treatment of this whole question.

13. United Nations, Economic Commission for Latin America (R. Prebisch), The Economic Development of Latin America and its Principle Problems, New York, 1950; H. W. Singer, "The Distribution of Gains Between Investing and Borrowing Countries," American Economic Review, Supplement, 40 (1950), 473-85; D.R. Gadgil, "The Economic Prospects for India," Pacific Affairs, 22 (1949), 115-29; R. Nurkse, Problems of Capital Formation in Underdeveloped Countries, Oxford, 1953, pp. 20-4.

14. United States Department of Commerce, The Balance of Payments of the United States, Washington, 1950, p. 134. At the end of 1950 the 10 concerns with the largest stake abroad accounted for 40 per cent of total direct investments as of that date. (United States, Department of Commerce, Foreign Investments of the United States, Washington, 1953, p. 21.)

15. The Preliminary Report of the Subcommittee on Foreign Economic Policy of the House Committee on Foreign Affairs, June 3, 1953, The Mutual Security Act and

The matter of direct investment introducing an established organization and risk-bearing enterprise into the underdeveloped country is certainly more difficult to assess. There is little doubt that, in and of themselves, foreign-owned ventures probably result in a net addition to the organizational know-how and to entrepreneurship in underdeveloped areas. That these benefits will spread--in economically desirable ways--to other sectors of the economy is, however, not at all certain. (This point relates to the previous point regarding "balanced" development.) Nor is it clear, as regards "enterprise," that all underdeveloped areas are highly deficient in this respect in either the private or public sectors. India, for example, has the beginnings of a well-developed business class[16] and an established civil service.

These comments do not exhaust all that can usefully be said concerning the economic advantages and disadvantages of private foreign investment. And we have quite consciously taken an extreme position for the sake of emphasis. It is not possible in a short paper fully to evaluate these arguments. But a few additional comments seem necessary.

The thesis that private foreign investment fosters "unbalanced" development and is, therefore, economically undesirable, needs elaborating. There is little doubt that any country derives some economic benefit from the development of its raw material exporting industries by foreign interests. The question is really: "How much benefit?" Experiences of various countries vary a great deal in this regard. Canada certainly has benefited tremendously from access to foreign capital for primary product development. It is patently obvious, however, that many other countries have derived relatively little benefit from foreign development of their exportable raw materials; tropical Africa and South East Asia come readily to mind.[17] As a practical matter today, the economic problem seems to boil down to the need for governments in underdeveloped countries to ensure that development of export raw material industries by foreign capital is part of--and meshes with--a well-rounded program for general economic development in all

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Overseas Private Investment, Washington, 1953, pp. 48-51, contains a list of private American companies that have participated in T.C.A. programs through December, 1951. The independent movement of "know-how" has also been noted by J.J. Dernburg, Comment on panel on corporate international investment, American Economic Review, Supplement, 44 (1954), 61, who draws attention to American engineering-consultant and construction firms operating abroad; by W.L. Thorp, "Basic Issues in Economic Development," paper presented to American Economic Association, December 29, 1951, State Department Bulletin, 24 (1951), 95-6; by R. Nurkse, "International Investment Today in the Light of 19th Century Experience," Economic Journal, 64 (1954), 752-3; by C. Wolf and S. Sufrin, Capital Formation and Foreign Investment in Underdeveloped Areas, Syracuse, 1955, p. 61, who draw attention to the usefulness of management contracts and in United Nations, Processes and Problems of Industrialization in Underdeveloped Countries, New York, 1955, pp. 38-90.

16. H. B. Lamb, "The Indian Business Communities and the Evolution of an Industrial Class," Pacific Affairs, 28 (1955), 101-116.

17. On Africa see S.H. Frankel, Capital Investment in Africa, London, 1938, and The Economic Impact on Underdeveloped Societies, Oxford, 1953. On Burma see J. Furnival, Colonial Policy and Practice, Cambridge, 1948.

sectors. The foreign sector should be planned along with the various domestic sectors; and private foreign direct investment capital may well be assigned a significant role in the foreign sector. An important economic advantage of permitting foreign interests to develop export industries is that they are likely to have considerable knowledge of world markets. In addition these foreign interests may be in a position to reduce substantially the risks of the venture through sales to the parent organization or to other subsidiaries. The oil companies come to mind in this connection. In domestic industry it is highly probable that there is an important area of activity, for example the consumer goods sector, in which private enterprise, including foreign enterprise, can yield substantial economic benefits, even with a large government participation in the principal producer goods industries. But, while recognizing the merits of these--and other--arguments, it seems clear that the benefits of private foreign investment to underdeveloped areas are not quite as obvious and certain as much discussion implies. It is the major thesis of this paper that there seems to be a tendency to think of the problem of economic development of underdeveloped areas in the political and ideological framework of nineteenth century European and American capitalism, and to neglect--or at least to minimize--the differences between the 19th century environment and the current environment within which development is to take place. We now pass along to these matters.

IV. The Political Aspects of Private Foreign Investment

What of the political advantages and disadvantages of private foreign investment? The "economic" arguments above presented all have definite political implications; but the relationships are complicated and extreme care must be exercised in attempting to disentangle them.

Among the political advantages of private foreign investment that have been noted are the following:

(1) It will contribute to the strength and security of the free (non-Communist) world through developing the latter's resources.

(2) It will increase political stability and forestall totalitarian revolution--Communist mainly--in underdeveloped areas through promoting increased output and productivity and higher living standards and through fostering the development of a "middle class."[18]

(3) It keeps critical raw materials out of the hands of the Soviet Union and its satellites.

On the negative side, there are several political disadvantages that could be noted. We confine our attention to one basic objection to which, in any case, many other political objections could be related: the widespread suspicion and fear, in underdeveloped areas, of Americans and Europeans, especially in countries which have only recently achieved independence. Governments of these countries are confronted with strong internal pressures to reject any foreign acts that smack even

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18. For a recent brief unofficial expression of this view see the statement of the Policy Committee of the National Planning Association in W.C. Taylor and J. Lindeman, The Creole Petroleum Corporation in Venezuela, New York, 1955, p. 99.

remotely of domination, "imperialism," etc.[19] There is a powerful emotional appeal to the notion that foreign private enterprise and capital is predatory in intent, especially when it can be shown that this capital goes mainly into raw material exporting industries. When it can also be shown that the governments of capital exporting countries are actively promoting investment by their nationals in underdeveloped areas, suspicion is further increased. Those governments in underdeveloped areas that do pursue a policy of permitting foreign enterprise to enter the country lay themselves open to charges of "selling out." George Hakim (a representative of Lebanon to the United Nations) has put this point in a particularly cogent manner. He says: "It is futile to expect the weak and generally corrupt governments of the underdeveloped countries to control the profit making operations of powerful foreign economic interests. On the contrary, there is danger that corrupt and reactionary politicians may be enlisted to enable these interests to operate freely without restriction . . ." He goes on to say that unless this can be avoided "revolutionary social movements" will be fostered.[20]

And in the same connection there is another most important point: the extension of foreign private capital into underdeveloped areas--and its promotion by the governments of the capital exporting countries--unfortunately fits easily the image of finance capitalism of Hilferding, Lenin, Rosa Luxemburg, and other Marxists--that is, capitalism in its final "predatory" stage; and this makes ideal Soviet and native Communist propaganda material in underdeveloped areas. American capitalism is pictured as staving off internal crisis by investment abroad, by foisting exports on underdeveloped countries and by extracting raw materials from them to feed its industrial machine. Capitalist powers generally are portrayed as "taking over" underdeveloped areas as de facto colonies and as preventing raw material countries from industrializing. That this is the current Communist line is testified to by many observers. The Russian position has been

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19. Soedjatmoko, "Point Four and South-East Asia," Annals of the American Academy of Political and Social Science, 268 (1950), 74-82, notes the suspicion of American intentions in South and South East Asia because of the failure of the United States Government to support freedom movements after the war, and because of American recognition of the Bas Dai regime. F.S.C. Northrop, "Asian Mentality and United States Foreign Policy," Annals, 276 (1951), 118-27, stresses the Asian view of the United States as aggressive and imperialistic. He notes (p. 125) that nearly all the leaders in the Middle and Far East came to power on the thesis that ills of their countrymen were largely due to foreign interference and imperialism. Vera Micheles Dean, Foreign Policy Without Fear, New York, 1953, pp. 102-3, comments that "anti-colonial" United States became identified after World War II in many Asian and other minds with the old colonial powers and as a defender of the status quo.

R. Koebner, "The Concept of Economic Imperialism," Economic History Review, 2, Second Series (1949), 1-29, notes that the term "economic imperialism" has had a tremendous impact, for example on the nationalist movements in Asia.

M. Bronfenbrenner, "The Appeal of Confiscation in Economic Development," Economic Development and Cultural Change, 3 (1955), 201-18, argues the reverse appeal of nationalization.

20. G. Hakim, "Point Four: The Need and Impact," Annals, 270 (1950), 72-3.

expressed strongly in the United Nations debates on problems of development.[21] There is no doubt that this aspect of the Communist line has a tremendous emotional appeal in underdeveloped areas.[22] The theoretical ambiguities in the line do not detract very much from its propagandist appeal. It is largely a matter of ideology and of "nationalistic" sentiment. For example, even if there is no increase in private capital outflow to underdeveloped countries, the fact that the United States Government is promoting such an outflow gives the Soviet line a strong appeal. And in the same vein: The very success of foreign enterprise as contrasted with domestic enterprise may also serve to increase hostility towards foreigners generally and to provide political grist for the Communist propaganda mill.

In reading official American government publications and statements by Administration officials, one does find some public recognition of the political and ideological problems of private foreign investment, but the usual assumption--often tacit--is that private investment abroad contributes to political stability and generally is in the national interest of the United States.[23] The charge that private foreign investment may lead to domination has been recognized as having a powerful appeal--for example, in the widely known State Department booklet on Point Four;[24] the delicacy of the task of encouraging a favorable environment for

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21. S. Yacobson, "Soviet Concepts of Point IV," Annals, 268 (1950), 129-39. See also Staley, op. cit., Chs. 6-7; and H. Olden and P. Phillips, "The Point-Four Program: Promise or Menace?", Science and Society, 16 (1952), 222-46, which presents Point Four as a part of American efforts to gain world hegemony.

22. On the appeal of the Soviet line and of Communism generally, see: W. Mc Mahon Ball, Nationalism and Communism in East Asia, Melbourne, 1952, pp. 10-12; H.H. Fisher, "American Policy and the New Asia," Far East Survey, 19 (1950), 138; C.G. Haines (ed.), The Threat of Soviet Imperialism, Baltimore, 1954, Chapter by G.F. Winfield, "Current Techniques of Communist Penetration in South East Asia," pp. 337-49; G.B. Huzar (ed.), Soviet Power and Policy, chapter on South East Asia by J.F. Cady, pp. 508-10. K.M. Panikkar, Asia and Western Dominance, New York, 1955, p. 250, presents a sympathetic Asian interpretation of the Russian revolution that is pertinent to the above discussion.

23. For example, Stassen, op. cit. See also the President's message to Congress, January 10, 1955, in which it is stated that an increased flow of private investment funds abroad, especially to underdeveloped countries, would enable these countries more easily to acquire the capital equipment needed by them "to achieve sound economic growth and higher living standards. This would do much to offset the false but alluring promises of the Communists." (Reprinted in State Department Publication 5733, Economic Cooperation Series 43, January, 1955, p. 7.) The Randall Commission, Staff Papers, pp. 78-9, cite as an advantage of increased private American investment abroad that it contributes to political stability if investment is wisely managed, by promoting increased output and a higher standard of living in less developed countries. It is not always clear in these statements what exactly is meant by "political stability"; the term seems to be used in different senses.

24. State Department, Point Four, Economic Cooperation Series, No. 24, revised, Washington, 1950. "So powerful have the ideas [of predatory private enterprise] become that many who feel that foreign capital could contribute to the

American capital abroad has been noted;[25] and Secretary of Commerce Harriman stressed at the Bogota Conference in 1948 that the United States Government did not wish American capital to go where it was not wanted.[26] On the other hand, the paeans to American capitalism of Mr. Stassen and Mr. Johnston may indicate the failure of the present Administration to give due weight to these important considerations. And statements such as that by Edward G. Miller, Assistant Secretary for Inter-American affairs, that "the State Department is not disposed to favor large loans of public funds to countries not welcoming our private capital,"[27] and by Henry Byroade, Assistant Secretary of State for Near Eastern, South Asian and African Affairs, that ". . . we cannot ignore the legitimate interest which European nations possess in certain dependent territories"[28] may likewise reveal a lack of appreciation that they may serve to increase suspicion of the United States in underdeveloped areas.

It seems clear that there is a vast difference between the investment climate of the nineteenth century and the mid-twentieth century, and that many people appear to have the former in mind--at least implicitly--when dealing with current problems. During the nineteenth century foreign investors scarcely worried about the wishes of the government and peoples of dependent areas, or concerned themselves with the desires of weak and corrupt governments in many nominally independent areas. Today the foreign investor is confronted with vigorous nationalist sentiment in these areas, especially in countries which have newly achieved their independence, with programs for accelerating economic development into which he must fit, with a political and ideological preference for socialist or semi-socialist governments, and with a very strong emotional bias against "foreigners."[29] Such considerations seem more weighty than appears commonly recognized.

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well-being of the country dare not publicly favor private foreign investment lest they lose public influence." (pp. 64-5). See also W.T. Bennett, "The Economic Structure of Pan-Americanism," address at Stanford University, July, 1952, State Department Bulletin, 27 (1952), 211.

25. Francis R. Valeo, "Point Four Problems in the Far East," Annals, 268 (1950), 108.

26. Cited in H. Chalmers, "The Economic Agreement of Bogota: An Inter-American System," Foreign Commerce Weekly, 21 (1948), 4.

27. Speech in February, 1950, State Department Bulletin, 22 (1950), 234. Mr. Stassen's paper in Foreign Affairs, cited in footnote 6, could be interpreted as containing a similar veiled threat. The Hoover Commission has recently recommended that economic aid be made contingent upon recipient countries making efforts to improve the climate for private investment, both domestic and foreign. (Commission on Organization of the Executive Branch of the Government, Overseas Economic Operations: A Report to Congress, Washington, 1955, p. 54.) See however, the dissent of Commissioner Holifield (Ibid., p.73.) See also H.W. Balgooyen, "Experience of United States Private Business in Latin America," American Economic Review, Supplement, 41 (1951), 334-5, for a vigorous unofficial expression of the case for private foreign investment.

28. "The World's Colonies and Ex-Colonies; A Challenge to America," State Department Bulletin, 29 (1953), 657.

29. For emphasis on these differences see especially Nurkse, Economic Journal, 64 (December, 1954).

V. Courses of Action for the United States

While American foreign economic policy must necessarily reflect a great many considerations and pressures, the matters here discussed seem of sufficient importance to warrant at least serious attention. If the above analysis is correct, certain policy conclusions seem to follow:

(1) The United States Government should avoid insofar as possible any suggestion of domination or exploitation in its foreign economic policy. This can be effected in several ways:

(a) by stressing international action whenever bilateral programs--e.g., military programs--are not clearly indicated;[30]

(b) by deemphasizing American initiative;[31]

(c) by stepping up United States Government economic loans and grants for underdeveloped areas, as far as possible without political strings and preferably through international or regional organizations;[32]

(d) by stressing the mutuality of economic interest between the United States and underdeveloped countries,[33] for example, that the United States needs industrial materials as much as the underdeveloped countries need capital equipment; and the common interest of both in a peaceful and prosperous world economy; and (closely related)

(e) by supporting action to prevent violent fluctuations in raw material prices important in international trade.

(2) More emphasis should be placed upon portfolio investment abroad by American capital relative to direct investment. There are many ways in which private American capital can participate in foreign economic development on a portfolio basis. Joint private-public (including in the latter international) ventures should be encouraged, such as the Industrial Credit and Industrial Corporation recently set up in India with participation by the Indian Government, the World Bank, and Indian, British and American private capital. The International Finance Corporation certainly

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30. For emphasis on international action wherever possible see: R. Emerson, "Point Four and Dependent Areas," Annals, 268 (1950), 112-21; and Advisory Committee on Underdeveloped Areas to the Director for Mutual Security, Economic Strength for the Free World, Washington, 1953, p. 35.

31. As noted by the Advisory Committee on Underdeveloped Areas, Ibid., p. v.

32. The importance of not attaching political strings has been stressed by C. Bowles, "A Fresh Look at Free Asia," Foreign Affairs, 33 (1954), 70; and by W.L. Thorp, "Strings on Economic Aid," Yale Review, 44 (1955), 202-15.

33. See J. Viner, "America's Aims and the Progress of Underdeveloped Areas," in B. Hoselitz (ed.), The Progress of Underdeveloped Areas, Chicago, 1952, pp. 195-6; and N. Rockefeller, "Widening Boundaries of National Interest," Foreign Affairs, 29 (1951), 524-5.

represents an important innovation along these lines, and there are probably many other techniques for mobilizing portfolio investment capital. Maffry, for example, in his report to the Technical Cooperation Administration ("A Program for Increasing Private Investment in Foreign Countries," Dec. 18, 1952) recommended the establishment of international mutual funds. It seems that the possibilities for increasing portfolio investment abroad may have been seriously underrated.

(3) The United States should support the underdeveloped areas more vigorously in the United Nations. Approval of the Special United Nations Fund for Economic Development (SUNFED) would be a step in this direction. Important support for this measure has been given even by friendly European countries.

(4) A campaign should be launched to demonstrate that socially conscious American capitalism of the mid-20th century is quite a different breed of animal from the European capitalism that most of the underdeveloped areas have known. And in the same vein, the very significant American contributions to the United Nations and the meager support--and often the hostility--of the Soviet Union to U.N. programs should be stressed.

A full treatment of the political economy of international investment would certainly require a thorough and detailed examination of the alternatives to private investment. We do not mean to imply that governmental loans and/or grants are a panacea; such a view would be naive in the extreme. And just as we have "expressed some doubts" about the desirability of private international investment from the standpoint of American national interests, so it seems appropriate to point out some pitfalls of governmental programs, either bilateral or international.

Bilateral aid (loan or grant) programs are open to the same political objections as private foreign investment; they inevitably arouse suspicions of "ulterior motives," a suspicion that may be enhanced by efforts of various countries to compete for the privilege of building steel plants (India) or dams (Egypt.) Nor are regional or international programs the appropriate answer in all circumstances. The rejection by Asian countries of American proposals for an Asian regional development fund illustrate the difficulties; in this case fear on the part of other Asian countries of domination by India seems to have been a stumbling block. The World Bank as presently constituted is generally regarded as being fairly closely tied to American policy; the United States has about one-third of the votes in the Executive Board, which controls the organization. Programs of other United Nations agencies pose many problems too: they may never "get off the ground" due to intransigeance of some members and to the difficulty of reconciling divergent viewpoints; they also may be open to charges of American domination if the United States continues to provide the lion's share of the funds, although certainly to a lesser extent than under bilateral problems or through the World Bank. Finally, one should certainly not underrate the importance of the strong ideological preference in the United States for non-governmental programs and the reluctance of Congress and the Administration to undertake commitments to provide government loans and grants for an indefinite period. In short, there are obviously grounds for "expressing doubts" about the alternatives to private international investment, as well as to private international investment itself. But it seems equally obvious that there has been much loose--and to some extent wishful--thinking in the United States about the role of private international investment.

VI. Conclusion

The delicacy and tact required in handling these political and ideological matters is readily apparent. But vital matters of national interest are involved, and the purpose of this paper has been to draw attention to some relationships that seem to have been underemphasized in both official and unofficial American circles with regard to the role of private foreign investment. As these lines are written, there have been press reports that the Administration has proposed a non-governmental commission to survey the whole foreign aid program. The role of private international investment should likewise be carefully examined. Academic discussion of these same questions should also be encouraged.

To repeat, no blanket condemnation of all private foreign investment is intended; there certainly exist parts of the world where the political and ideological resistance to private foreign capital is not important.[34] But such resistance does seem important in the Middle East, South and South East Asia, and to perhaps a lesser extent in Latin America. The indiscriminate promotion of private American investment in these areas may turn out to have important political disadvantages to the United States; it may strengthen the hand of totalitarian revolutionary forces in underdeveloped areas, thus aggravating the very political "instability" which the United States is seeking to avoid.

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34. Canada comes readily to mind. But even in Canada there has recently been outspoken criticism of the extent of foreign control of Canadian industry by responsible people. See on this New York Times, April 15, 1956, p. 32. For a vigorous defense by a Canadian Government cabinet officer of the role of American capital in Canadian development, however, see "Public Policy and Economic Expansion" address by Rt. Hon. CD Howe, Minister of Trade and Commerce to annual meeting of the Hamilton Chamber of Commerce, April 23, 1956. (Press Release)

Bernard Goodman

Wayne State University

INTERNATIONAL FINANCE CORPORATION AND

PRIVATE FOREIGN INVESTMENTS

On July 25, 1956, a new world organization, the International Finance Corporation, came into existence. The Corporation will begin its operations 31 members and capital subscriptions exceeding $78 million. The Articles of Agreement of the IFC stipulate that a minimum of 30 member nations and a subscribed capital of $75 million, three-fourths of the authorized capital, must precede its official formation. These requirements were met with France and Germany took final action for membership on July 20.[1]

This paper proposes to discuss the role that International Finance Corporation may be expected to play in the process of capital formation in the underdeveloped countries, especially with respect to external sources of capital. The significance of the new international institution will be examined against the background of problems that face international capital movements, although some attention will be given to the probable impact of the IFC on domestic capital formation in the less developed countries.

Foreign capital is a necessary condition of economic progress in the preindustrial countries. Even though the estimates of the magnitudes involved may be at variance, any conceivable rate of domestic investment would have to be supplemented by foreign investment if it is desired to increase the per capita income of the population in the vast majority of countries in Asia, Africa and Latin America.[2]

From the point of view of the less developed countries, an increase in the inflow of capital from outside is a prerequisite of a successful implementation of the developmental plan. In certain countries such an increase may mean the difference between development and stagnation, in others, it may be a precondition of higher living standards. In all countries, however, a greater inflow of foreign capital appears desirable.

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1. International Finance Corporation, Press Release No. 1, Washington, D.C., July 25, 1956.

2. The report of the Committee of Experts of the United Nations estimated in 1951 that the underdeveloped countries would need about $4 billion annually over and above domestic savings, in order to raise their national incomes by two per cent per capita. Cf. United Nations, Department of Economic Affairs, Measures for the Economic Development of Underdeveloped Countries (New York: 1951), p. 76. A Dutch economist estimates that to achieve a similar growth of per capita income slightly over 11 billion would be sufficient, of which nearly half could be obtained from internal sources. Cf. E.P.N. Tervooren, "Interne Financiering van den Onder-Ontwikkelde Landen" Statistische Berichten, Rotterdam, June 1954, p. 472.

The fact that all of the developing countries are anxious to stimulate greater capital exports from the more advanced countries does not mean that they are indifferent as to the forms that these exports should take. As a matter of fact, the character of capital exports and the terms and conditions under which they will become available are of utmost importance to the importing countries. These considerations are also of importance to the exporting countries and the failure to see eye to eye on these issues is responsible for the concern over the present level of long-term capital movements and, in a large measure, for the formation of the IFC.

Foreign investment can take one of two forms. It can be made as a direct investment or as a portfolio investment. The former may be regarded as entrepreneurial investment, the latter as non-controlling investment.[3] The ramifications and implications of these two forms of foreign investment are responsible for the cleavage that can be discerned between the capital exporting and the capital importing countries regarding the way in which foreign investment should aid economic development. The positions taken by the capital exporting and the capital importing countries are not necessarily rational. The preference of the less developed countries for portfolio investment stems not so much from their belief that this kind of investment is the most productive or the most capable of speeding economic growth but rather from their distrust of direct investment and their dislike of the connotations of such investment. The preference that capital exporting countries express for direct investment is also, to some extent, colored by considerations not directly related to the efficiency of this investment as a means of promoting economic growth.[4]

In principle, direct investment appears superior to portfolio investment, especially if the latter is confined to purchase of fixed interest-bearing obligations. Direct investment is almost always productive in the sense that it leads to accumulation of the tools of future production. In addition to providing capital goods, not

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3. Cf. August Maffry, "Direct versus Portfolio Investment in the Balance of Payments," American Economic Association, Papers and Proceedings, May 1954.

4. The difference in attitudes concerning the two kinds of investment is illustrated by the following quotations:

   ". . . experience has proved that direct private investments are accompanied by dangers of harmful economic and political interference, especially in the case of the dependent and the economically weak countries. The Sub-Commission therefore agrees that past experience indicates that in the least developed countries, private or governmental loans and credits are preferable and should be encouraged instead of direct investments in view of the special danger of direct foreign investment interfering in the political and economic affairs of those conntries." (Report of the Sub-Commission on Economic Development of the Economic and Social Council of the United Nations, Document E/Cn.1, December 1947, Part VI, Paragraphs 12 and 13).

   "The International Chamber of Commerce has, on the contrary constantly held a view that direct investments are more appropriate for the purpose of economic development than loans. Direct investments which include the establishment of plants and branches and the acquisition of wholly or partly owned subsidiaries present several advantages over loans." (Resolution adopted by the Congress of the International Chamber of Commerce, Quebec: June 1949).

obtainable locally, it exports skill and technology and often provides a cadre of managers and technicians in which many of the less developed countries are deficient.

Equally important are the advantages of direct investment from the standpoint of the "absorbtive capacity" of the importing countries, especially as it relates to the balance of payments. A transfer problem on direct investment arises only after remuneration on such investment has been earned. The service on direct investment varies directly with the ability of the absorbing country to finance such charges. Moreover, it is even possible that in periods of recession not only would repayments slow down and thus relieve the transfer burden, but an additional amount of foreign direct investment may be forthcoming. This may be due to two reasons. Those corporations that have plant and facilities in foreign countries may consider such periods to be propitious for further expansion because of low costs of labor and materials, reletive to such costs in domestic markets. Also, the flow of direct investment may be resumed in depressed periods in order to cover operating deficits of oversea affiliates. Direct investments ease balance of payments problems in yet other ways. They tend to stimulate exports by developing local production of export goods. The reduce import needs especially when concentrated in manufacturing industries, and they may create markets for these manufactures both locally and abroad.[5]

Portfolio investment is less certain to lead to productive investment. This is particularly true when the issuer is a public agency, e.g., a municipality. On the other hand, portfolio investment allows budgeting of foreign exchange for debt charges, the setting up of sinking funds and the planning of repatriation of capital. While it is true that direct investment eases the transfer problem, in that only a part of earnings has to be repatriated, these earnings may be so large as to impose a heavy absolute burden on the importing country. Portfolio investment charges are, as a rule, much lower.[6] Moreover, in principle at least, the transfer problem under portfolio investment could be removed if it could be ensured that the rate of growth of such investment will exceed the average rate of interest. Alternatively, much of the balance of payments problem accompanying portfolio investment would disappear if such investment could be regarded as permanent debt, analogous to domestic governmental debts, and subject to funding and refunding operations.[7]

Both direct and portfolio investment, by adding to the stock of domestic capital, tend to depress the rate of interest and to stimulate internal borrowing. As contrasted with direct investment, however, portfolio investment does not necessarily involve the concurrent influx of goods and services and is thus more inflationary. Whether or not this is an advantage or a disadvantage depends on one's views regard-

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5. See A. Maffry, op. cit., also International Chamber of Commerce, Public and Private Investment and Economic Development (Paris, 1955), pp. 10 and ff.

6. For a fuller discussion of the relative merits of direct and portfolio investment, especially in regard to balance of payments broblems, see: United Nations, International Capital Movements During the Interwar Period (New York: 1949), pp. 25 and ff.; J.E. Meade, The Balance of Payments (Oxford: 1951), pp. 87-89; and the sources quoted in footnotes 3-5.

7. Cf. Testimony of Robert R. Nathan, Hearings on Foreign Economic Policy, Joint Committee on the Economic Report, 84 Congress, I Session, November 1955, pp. 469-471.

ing the role of inflation in the process of economic development.[8]

More importantly, portfolio investment appeals to underdeveloped countries because it allows them to determine the pattern of capital formation independently of any outside decisions. In particular, it permits them to indulge in dreams of creating a "balanced growth" economy and to avoid the real or imaginary dangers of a lopsided "exposed economy." Related to this desire is the variance in the concepts relating to the function of international intercourse in general. Many students of economic development (and not only from those from within developing countries) are beginning to question the validity of the static theory of comparative cost advantage under conditions of rapid change and major structural readjustments. The maintenance of the existing cost ratios may be shown to connote a specific pattern of exports and imports but it also implies the perpetuation of the existing economic relationships between raw material producing and manufacturing countries than the former are not willing to accept. Direct investments do tend to gravitate to the production of raw materials and goods for exports and are less interested in developing domestic markets or to supply commodities for those markets.[9]

Related to the above are fears and suspicions that cannot be explained by economic considerations alone. Capital importing countries may be willing to admit the economic advantages of direct investment but still complain about the discrimination against their nationals, preferential treatment of foreign enterprise, foreign domination, and absentee-owner exploitation. These factors may be less amenable to analysis but their importance cannot be underestimated, especially when there are always isolated instances to be found that amply justify some of the accusations, though they do not condone their blanket character.[10]

The capital exporting countries are strongly in favor of direct investment. In fact, portfolio investment of the traditional character has practically disappeared. The very factors that make portfolio investment attractive to capital importers make them completely uninteresting to the capital exporters. On the other hand, the motivation behind direct investment is somewhat more complex than the position of the underdeveloped countries would seem to indicate. No doubt, much of direct investment is guided by the desire to obtain raw materials and to assure sources of supplies generally. But a good deal of such investment takes place in order to

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8. Cf. S. C. Tsiang, "Balance of Payments and Domestic Flow of Income and Expenditures," International Monetary Fund Staff Papers (September, 1950).

9. See for example: H. W. Singer, "Distribution of Gains Between Investing and Borrowing Countries," Papers and Proceedings of the AEA (May, 1949) and Norman S. Buchanan, "International Investment," Survey of Contemporary Economics (Homewood: 1952), Vol. II.

10. During the debates on the proposal to set up an international financial institution, several of the underdeveloped countries cited instances of direct investment that tended to support these fears. See Debates of the General Assembly of the United Nations, Seventh Session, November 1952, pp. 147 and ff., and Eighth Session, December 1953, pp. 73 and ff. Delegates of these countries were willing to admit the economic advantages of having foreign enterprises in their countries but they resented certain patterns of behavior followed by the employees of some of the firms. In the words of the Costa Rican delegate, for example, "military occupation is also a source of dollars." (Ibid., p. 147).

develop local markets, to sidestep exchange and tariff regulations or to diversify domestic operations.[11]

Given the incompatibility of views and aims regarding the form of capital movement, there is little wonder that means are sought to develop forms of international financing that could overcome some of the existing difficulties. What seems to be required in a form of capital transfer that would combine most of the advantages of direct investment without giving rise to some of the most strongly held objections to them.

The gap between the capital importing and the capital exporting countries on the issue of what form foreign investment should take can be narrowed by an organization such as the proposed International Finance Corporation. The IFC is set up to perform a triple function. First, it is expected to stimulate private investment abroad by acting as a catalyst, a clearing house and a partner. Second, it is hoped that it will encourage equity portfolio investment in foreign undertakings. Lastly, it should help to bring about an improvement in the climate of international capital movements and so generate an additional flow of investment into the less developed countries.

The capital of the new institution will be $100 million, of which $35 million has already been subscribed by the United States. Its membership will be reserved to those nations that are members of the International Bank for Reconstruction and Development (IBRD). While organized as an affiliate of the IBRD, the operations of the new organization will be separate from and independent of the Bank. The proposed organization is frankly experimental. Its bolder features were reduced in scope since they were first proposed in 1951 and it is intended to start its operations on a small scale in the hope that, if successful, these operations may be expanded.[12]

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11. Between 1946 and 1954 private long-term investment nearly doubled. At the end of 1954 total private assets held abroad by American investors amounted to nearly 25 billion. Of this total, nearly 18 billion was in the form of direct investment, an increase of 150 per cent since 1946. Total portfolio investment was a little less than 7 billion at the end of 1954 as compared with 5 billion in 1946. Even this low rate of increase is misleading. Half of the total of portfolio investment was in Canadian securities. Another half a billion was in bonds of the International Bank. When these are excluded, there appears to have been a decline in portfolio investment since the end of the war. This is particularly striking in view of the market appreciation and validation of securities previously in default. (Testimony of John H. Adler, Hearings, op. cit., pp. 456-462). A recently issued Policy Statement of the Committee for Economic Development estimates that in the last three years (1952-54) American private investment in the independent underdeveloped countries amounted to about half a billion dollars a year. Of this sum, 60 per cent went to Latin America, and with the exception of a small proportion going to Israel, most of this investment consisted of direct investment, primarily in extractive industries (Cf. C. E. D. Economic Development and the Role of American Foreign Investment, New York, February, 1956, p. 16).

12. See International Bank for Reconstruction and Development, Articles of Agreement of the International Finance Corporation and Explanatory Memorandum (April 1955); Report of the Committee on Banking and Currency International Finance Corporation (June 1955); IBRD, The Proposed International Finance Corporation (May 1955); Robert L. Garner, Statement on the International Finance Corporation (Istanbul: September, 1955).

IFC regards itself as a financial institution of the last resort. Its role in actual financing of productive undertakings abroad is to be a marginal one. It will attempt to bring opportunities to the attention of private investors and participate itself only to the extent that private capital is insufficient. IFC can help finance businesses in less developed countries in any way it considers suitable with the single exception that it cannot acquire ownership claims in the enterprises it sponsors. In other words, it cannot acquire either common or preferred stock. This last provision appears to be a crucial one. Initially, the hopes attached to the efficacy of the new institution lay precisely in the fact that, as distinct from the World Bank and the Export-Import Bank, it could engage in the provision of venture capital to foreign enterprises.[13] Portfolio investment in equity securities can, in principle, do much to overcome many of the objections to traditional portfolio and direct investment alike. An American or British investor who acquires equity in a foreign firm cannot be accused of unwarranted interference and monopolistic domination. At the same time, the returns on his investment are related to the productivity of the enterprise and are often accompanied by introduction of modern skills and techniques.

The Charter of the IFC recognizes the importance of equity investment as a means of promoting foreign investment. Its interdiction of outright purchase of equities is explained on the grounds that an international institution should not directly engage in managing the undertakings of its sponsors. Instead IFC will be investing in income bonds and convertible debentures that, when sold to private investors, can be turned into equities. It is easily realized by the proponents of the IFC that if the new institution is to be truly different from the World Bank, it must take risks that the Bank is precluded from taking. Not only will IFC not insist on governmental guarantees of its loans, but it is expressly restrained from accepting such guarantees. It is felt that this prohibition will insure that on the one hand, private investors will be more eager to participate when they think that there is no danger of public interference, and that on the other hand, governments themselves will welcome the opportunity of freeing themselves from accusations of favoritism and preferential treatment.

The absence of governmental guarantees and the contingent character of IFC participation will involve risks and hence losses. Accordingly, the sponsors of the

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13. The prohibition against equity securities appears to be at variance not only with the early proposals of the IBRD but with the original conception of the IFC. For historical development of the IFC see: First Report of the Status of the Proposal for an International Finance Corporation IBRD May 1953, and A Second Report on the Status of the Proposal for an International Finance Corporation, IBRD (June 1954). Cf. also Message from the President of the United States, House Document N. 152,84 Congress I Session (May, 1955) and Hearings on the International Finance Corporation (Washington: 1955).
    In spite of the fact that the original proposal to set up a venture capital international institution came from the International Development Advisory Board in 1951 (Partners in Progress (Washington: 1951), p. 95), the United States was lukewarm to the idea for a number of years. The change in USA attitude came about late in 1954, but apparently only as a result of the above mentioned change in the concept of the new institution. On December 11, 1954, the General Assembly of the United Nations, by a vote of 50 to 0 (with 5 absentions), requested the World Bank to take steps to bring IFC into existence. United States participation was assured by the signing of Public Law 350, in August 1955.

IFC, barred from acquiring equities, had to resort to provisions enabling them to purchase various hybrid securities that not only make their operations more difficult but may also cast a shadow over the success of the whole enterprise.

The limited capital of the IFC conforms to the conception of this institution as a pilot project. IFC will, however, have the right to issue its own securities in capital markets, though this form of financing is to play only a minor and residual role. Main emphasis is attached to the idea of revolving IFC funds by the device of selling securities out of its portfolio to private investors. Whenever such a sale is difficult because of lack of familiarity with specific securities, the IFC will be empowered to guarantee them to prospective buyers.

The IFC is enjoined not to be influenced by any purely economic considerations. While IFC is not supposed to obtain governmental guarantees, it will not be precluded from investing in enterprises in which concurrent public interest exists. The IFC is to set the terms of its financing in the light of business standards. It cannot request borrowers to purchase goods and services in any particular country. Finally, it can increase its initial capital by additional subscription, although this method of financing will not usually be used.

These are the chief operational provisions of the new institution. What are its chances of success and to what extent can it in fact narrow the gap that separates the capital importing from the capital exporting countries? There can be little question that the basic aims and principles of the IFC are well designed to overcome some of the obstacles to foreign investment discussed above. Not only are many foreign investors unaware of the opportunities abroad, but even when aware they consider them too risky, too involved, and too complex to be preferred over domestic investment. This is particularly true for smaller and medium size firms. Many such firms, however, may find it to their advantage to develop operations abroad in collaboration with local capital. In fact, the idea of bringing together local and foreign capital and entrepreneurship may be regarded as the most promising aspect of IFC operations. This collaboration, it seems certain, could not in many cases take place in the absence of the help given by the IFC. This help is important not only from a purely financial standpoint. The authority of the IFC may cause many foreign businesses to regard overseas operations with a less prejudiced eye. It will tend to reassure entrepreneurs in the less developed areas of the advantages of productive enterprise. It will do much to dispel fears of foreign domination and it may be expected to improve the overall pattern of domestic capital formation in directions more conducive to long-term economic growth. Most importantly, it may help in the creation of indigenous capital and security markets that may, in time, be of the greatest significance in mobilizing domestic savings in the underdeveloped areas.

It is unfortunate, however, that latter day restrictions and qualifications on the operational powers of the IFC tend to impair its potential effectiveness. Of these restrictions, the most serious seem to be those prohibiting the direct acquisition of equities. There is some merit in the position that IFC should act as a catalyst rather than engage in direct operation of foreign undertakings. But the outright prohibition of purchase of any kind of capital stock is difficult to reconcile with the alleged "venture" character of the IFC. If the new institution is to avoid burdening nascent enterprise with fixed changes and, at the same time, share in residual earnings of those enterprises that prove to be successful, it must be able to acquire securities that enable it to do so. Income bonds and convertible debentures appear ill suited for the purpose. The former can be considered a satisfactory investment only when buttressed by stringent provisions safeguarding payment of interest when earned. Under such safeguards income bonds differ but little from other senior, fixed interest obligations. Whenever the non-payment of interest is not accompanied by specified

sanctions, income bonds are rarely a very satisfactory investment medium. Convertible securities are even less well adapted to the needs of the IFC. The fact that the Corporation itself cannot take advantage of the conversion privilege exposes it to many problems. In order to sell convertibles to private investors, IFC would have to satisfy such investors that the issuer is likely to make profits in the future. In the absence of a sensitive market in these securities, it is difficult to see how IFC can obtain the full benefit of the expected appreciation. The convertible debentures are not likely to increase in price so as to reflect the anticipated increase in the price of the common stock. Moreover, the IFC will have to contend with the possibility that prospective purchasers may take advantage of the expiration date and force the IFC to sell on less than optimal terms. In general, it is unlikely that IFC, bound by the self-imposed restriction on its investment powers, can realize the full gains from its profitable undertakings, while it is certain to bear the brunt of its bad guesses.

It is also possible that IFC may find itself, after a while, left only with inferior securities, having been able to sell only its best prospects. This possibility is particularly likely when it is remembered that the IFC can guarantee some securities. A situation may arise where it would be difficult to sell a security unless it was guaranteed. This may mean that either all securities will have to be guaranteed, a device that would deprive the IFC of the last vestige of a venture capital institution, or only those securities would be guaranteed that could be sold anyway, in which case the guarantee would become meaningless.[14] Even granting the basic premise that an international financial institution should not undertake actual management of productive enterprises, the absolute prohibition of equities as an investment medium appears unwarranted. In particular, there would seem little reason to exclude preferreds, or non-voting common stock. Both of these classes of securities would insure participation in earnings without incurring the need for control and management and without imposing a fixed debt burden.

During the preliminary negotiations preceding the formation of IFC, an idea was advanced that IFC should be set up on the lines of a mutual investment trust. The idea did not find much favor with the most influential members.[15] Yet, it seems to merit serious consideration. An international investment trust could fulfill all of the tasks that IFC has set for itself and at the same time avoid many of the problems that IFC is bound to face. The concept of revolving capital would get a new lease on life. An open-ended international trust could obtain large capital funds in the markets of the advanced countries. There would be no problem of disposing of portfolio securities and the guarantee powers could be confined to repurchase of trust certificates at their current asset value. More importantly, IFC could tap capital

14. Article III, Section 4 of the IFC charter makes provision for "taking such action and exercising such rights as it may deem necessary for the protection of its interests" in the event of actual or threatened default on its investments. The explanatory memorandum specifically states that this section exempts IFC from rettrictions on acquisition of capital stock and on the assumption of management responsibility (Articles of Agreement, op. cit.).

15. Cf. Second Report of the Status of the Proposed IFC, op. cit. In the last few years there have been organized several privately managed investment companies that seek to acquire foreign securities. See for example: Kidder, Peabody & Co. Prospectus dated October 1955, on the International Resources Fund, Inc.: Journal of Commerce, October 1955, announcing the establishment of the Transoceanic Development Corporation, Fortune, April 1956, note on the International Investors, Inc.

resources not only of individual investors and manufacturers who have special resources to go abroad but also those of institutions in this country at present unable to invest directly in foreign securities. The IFC, when set up as an investment trust, would tend to reap the benefit of its wise decisions as well as to suffer for its bad judgment. While both the successes and the failures would be passed on to purchasers of the certificates, this is the essence of equity investment. There is ample evidence that many foreign enterprises are profitable and the experience and skill of the IFC may be expected to yield something better than a random selection.[16] As an investment, the IFC could be subject to provisions similar to those binding domestic investment companies regarding accounts of stock that they can own. The main difference between such an international trust and a domestic investment company would be that the latter devotes itself chiefly to the purchase of seasoned securities. There is no reason, however, why IFC should not go on performing its catalytic and clearing function and acquire securities in both new and established foreign enterprises. Indeed, under the investment trust arrangement, there would be less of a problem should IFC decide, in some cases, to invest in debt rather than in equity securities.

There are, to be sure, difficulties in the path of such an international investment trust. In patricular, its success would depend in considerable measure on the relaxation of the restrictions on institutional investors regarding purchases of foreign securities. These difficulties do not, however, appear insurmountable.[17] On the other hand, tax considerations would seem to favor purchases of securities in such an investment company in the light of the "pass-through provision" of the 1954 Code.[18]

16. Net return after taxes on direct foreign investment in the postwar period, calculated as a percentage of book investment, averaged 22 per cent on oil, 16 per cent on manufacturing, 12 per cent on mining and smelting, and 3 per cent on utilities. This compared with the domestic rate of return of 11 per cent on oil, 12 per cent on manufacturing, 10 per cent on mining and smelting and 7 to 8 per cent on utilities. (Testimony of John H. Adler, op. cit.).

17. See a discussion of some of the legal problems involved in Commission on Foreign Economic Policy, Staff Papers (Washington: 1954), pp. 92-94.

18. Under the Internal Revenue Code of 1954, the foreign tax credit may be passed through to shareholders of a regulated investment company if 1) the company itself does not claim credit for foreign taxes paid (which is unlikely because such companies are not generally subject to income taxes) and 2) more than 50 per cent of its assets are in securities of foreign corporations, (I. R. C. 1954, Sec. 853).

Alec A. Rozental

Saint Louis University

COMPARISON IN THE STUDY OF ECONOMIC GROWTH*

In the spring of 1952 the Committee on Economic Growth of the Social Science Research Council sponsored a research conference in which papers dealing with various aspects of economic growth in Brazil, India, and Japan formed the basis for discussing some of the large questions of economic development--questions which arise in one form or another in all countries. A good deal of attention was also given to the problems and methods of studying economic development. Subsequently, the authors were asked to prepare their papers for publication, making use of ideas brought out at the conference, comments of discussants, and suggestions of the editors. Two of the authors felt that the data on which they had to rely were too insecure to warrant putting even tantative conclusions in print. The remaining papers, after considerable revision in some cases, have now been published in the book under review.

Following the procedure of the conference itself, the published papers are arranged by general topics rather than by countries. The papers in Part I relate, in one way or another, to reviewing the course and substance of economic development in the three countries. They are not cut to a single pattern--a condition which is true of the papers in the other two parts as well--but they are intended to contribute to an understanding of changes in economic structure, in aggregate output, and in the accumulation of capital. Included in this part are two papers on Brazil; one by George Wythe on industrial development, and one by Preston James on agricultural development. India is represented by one paper only, that of Daniel Thorner on long-term trends in output. For Japan, William Lockwood contributes a chapter analyzing changes in economic structure and output in the 70-year period following the Maiji Restoration of 1868, and Edwin Reubens provides a study of foreign investment and its relation to Japanese economic development in roughly the same period.

Part II deals with population as a factor in economic growth. It contains one chapter on each country, with T. Lynn Smith writing on Brazil, Kingsley Davis on India, and Irene Taeuber on Japan.

The third part, entitled "Social Structure, the State, and Economic Growth," contains a diversity of material, some of which inevitably overlaps with the subjects treated in Part I. There are three papers on Brazil: Bernard Siegel writes on social structure and economic change, Henry Spiegel analyzes the role of government in the economic development of the nation, and Stanley Stein exlpores trends in the development of entrepreneurship and business organization in the Brazilian cotton textile industry in the 100-year period lying between the middle of the nineteenth century and the middle of the twentieth. There are two papers on India. In one, D. R. Gadgil describes the essential features of economic organization in that

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* Kuznets, Simon, Wilbert E. Moore, and Joseph J. Spengler (editors), Economic Growth: Brazil, India, Japan. Durham, Duke University Press, 1955. 613 pp., $12.50.

country. The other, written by Helen Lamb, analyzes the ways in which Indian economic development was shaped by British colonial policy, practice, and administration during the long period of British rule. Two papers on Japan bring the volume to a close. Marion Levy brings out the factors in Japanese social structure which favored economic development, by contrasting social organization in Japan with that of China, and William Lockwood discusses the role of government in the economic development of Japan in the same period covered by his earlier essay in this volume.

No attempt will be made here to comment on the individual contributions, since to do so would extend this review beyond the limits of tolerance. They vary, of course, in quality. However, it is hardly fair to make qualitative comparisons among them, since, as pointed out by Kuznets in the Foreward, the contributors were not asked to make a major expenditure of time and effort in preparing papers for the conference. Thus, some of the contributions consist of finished products destined for publication in another form, or even already published elsewhere, while others were written simply as working papers for the conference itself, without the background of intensive research needed to produce a wholly satisfactory and polished study of the subject to which the author addressed himself.

As these last observations suggest, the general framework for the papers as a whole is a loose one. If this condition has advantages for discussion at a conference dealing with a field which is still in the pioneering stage of development, it is much less good for publishing the papers in a single volume. Moreover, with authors writing on somewhat different topics about each of the three countries, comparisons between countries are not facilitated--indeed, they may even be impeded.

When the reader first opens the volume he has hopes that suggestive inter-country comparisons will appear at least in the three chapters written by the editors--Simon Kuznets for Part I, Wilbert Moore for Part II, and Joseph Spengler for Part III. These expectations are realized only in a minor way, and in this connection the book must be considered a disappointment. Wilbert Moore goes farthest in this respect, but even his comparative treatment is restricted in scope. Spengler's essay contains a three page summary of the papers in his section of the volume, in which a few comparative remarks are made, but he devotes most of his space to a rather elaborate statement, strongly taxonomic in character, of factors affecting and representing economic growth. Kuznet's paper deals with ideas basic to the interpretation of statistics and the making of statistical comparisons among countries. The burden of his essay is to bring out the difficulties of making comparisons, and to emphasize the view that the present stock of empirical data is inadequate for making even tentative generalizations about economic growth.

No one will deny the inherent difficulties of making inter-country comparisons, and the special difficulties of making them in the present state of our knowledge about economic development. My own view is that at this stage of the game a certain amount of boldness is called for, and that working ideas suggested by comparative study can be fruitful even though they may be subsequently discarded as a result of fuller investigation and refinement of knowledge. Perhaps it is not fair to ask for more comparative treatment in this book, since the whole project--conference and book together--was apparently not set up to encourage the making of comparisons. But this consideration, when added to the characteristics of the book discussed earlier in this review, makes it legitimate to ask whether the book should ever have been published. I am inclined to answer this question in the negative. What we have here is a collection of papers, some of them of excellent quality,

intended to provide stimulus for discussion at a conference which was frankly exploratory in nature. Several of them are available, or at any rate the materials contained in them have been fully utilized, in other publications, and no doubt the others could have found outlets in appropriate journals. Since the papers are not meaningfully connected with each other, it is difficult to see why it was decided to publish them in a single volume.

By way of appendix, I should like to record an additional observation prompted by reading this book--namely, that both in analysis and scope of factual evidence, the papers on Japan, as a group, are superior to those on India and Brazil. This situation is probably explained by the higher state of development which the Japanese economy has attained, although the postwar occupation of Japan doubtless had some effect on American knowledge and understanding of how the Japanese economy has functioned since it took the path of industrialization after 1868. But the point I wish to emphasize is that, of the three countries, our least effective knowledge is found in the case of Brazil--least effective of the three, and ineffective at best. To some extent this can be explained by the shortcomings and gaps in Brazilian statistics. To some extent it can be explained by the nature of the economy which Brazil has had down to recent years. But it is also true that very little effort has been made to study the economic history of Brazil. The Brazilians have not done it, nor has anyone else attempted it in a comprehensive fashion. It is by no means an easy task, as those who wrote papers on Brazil are fully aware, yet it is one that needs to be undertaken if we are to have a reasonably good understanding of the problems and course of development in a country which seems to have substantial potentialities for raising the level of its economic performance. What is true of Brazil is true of Latin America generally. Much effort has been devoted in this country to the study of Latin American history. Indeed, the longest tradition of area study in the United States relates to Latin America. Yet our knowledge of the economic history of Latin America in the last hundred years is painfully weak. Perhaps the publication of the volume under review will help to underscore this deficiency, and to stimulate a major research effort in this field of Latin American area studies.

Sanford A. Mosk

University of California,

Berkeley